

A. Rockne



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

Washington, D.C. 20590

Subject: Innovative Contracting Practices Initiative and
Special Experimental Project No. 14

Date: FEB 13 1988

From: Director, Office of Highway Operations

Reply to
Attn. of: HHO-32/HHO-41

To: Regional Federal Highway Administrators
Federal Lands Highway Program Administrator

In January 1988, a Transportation Research Board (TRB) task force was formed to explore innovative contracting practices. The task force, officially identified as Task Force A2T51 - Innovative Contracting Practices, is comprised of representatives from all segments of the highway industry, including contractors, consultants, trade associations, surety and bonding agents, academia, SHA's, and the FHWA. Its mission is to solicit, study, and compile information on the practices under which both U.S. and foreign agencies contract for construction as they affect quality, progress, and costs; call attention to practices that inhibit quality construction along with ways to improve them; and suggest methods for improving contracting processes.

The Task Force has requested that the FHWA establish an experimental project on Innovative Contracting Practices, which would be used to evaluate and validate the Task Force findings. In response, the FHWA Special Experimental Project No. 14, Innovative Contracting Practices, has been initiated.


The objective of Special Experimental Project No. 14 is to identify for trial evaluation and documentation, innovative contracting practices which have the potential to reduce life cycle costs to SHA's while maintaining product quality and an acceptable level of contractor profitability. Through evaluation of new innovative techniques, FHWA will be in a better position to recommend and promote those found to be cost-effective.

Special Experimental Project No. 14 will be used to implement, on an experimental basis for evaluation, applicable Task Force recommendations and other innovative contracting practices which SHA's propose to undertake and are subsequently approved by the FHWA. Areas so far suggested for possible consideration include: (1) factoring in such aspects as time, quality and past performance 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.

While Federal-aid statutes and regulations set forth specific program requirements, some do provide a degree of flexibility. Under special Experimental Project No. 14, we intend to explore legislative and regulatory flexibility to the fullest. We recognize that some recommended or proposed innovative practices may not meet current statutes and would not be eligible for trial evaluation within the Federal-aid program. The areas noted earlier as suggested for possible consideration are currently under review by the Chief Counsel.

The TRB Task Force recommendations will be contained in a final report expected to be available in 1990. In the meantime, we are currently soliciting SHA conceptual proposals which they consider to be worthy for evaluation under this Special Experimental Project. States' proposals should be submitted to the Demonstration Projects Division (HHO-41), through the division and regional offices. The proposals should include a brief, conceptual description of the innovative practice(s) proposed for evaluation. Upon acceptance of a State's concept, more detailed information will be solicited.

Projects ultimately accepted and approved for the Special Experimental Project will be eligible for Demonstration Project funds to assist States in evaluating, documenting and reporting activities. Project construction costs will be eligible for reimbursement commensurate with the system on which the project is located, subject to normal Federal-aid eligibility policies.


Norman J. Van Ness