AASHTO / FHWA Survey on Construction Cost Increases

AASHTO/ACEC Joint Committee
Portland, OR
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Cost Increases
Q#16 - Is your state experiencing significant cost increases in construction bids relative to similar previous projects?
2005 Cost Increases

Q#18 - If your state experiencing significant cost increases . . . What is the percentage increase (2005 from 2004)?

- Cost increase greater than 50%
- Cost increase between 20%-50%
- Cost increase between 10%-19%

Canadian Provinces
- Alberta 6%
- Ontario
Earthwork  Price Increases
Q #19 - If data are available, what construction bid items have experienced the most rapid cost increases in the past year?

Based on responding agencies:
- **Low**: 2.0%
- **High**: 100.0%
- **Count**: 32
- **Average**: 26.6%

Cost increase greater than 50%
Cost increase between 20%-50%
Cost increase between 10%-19%

Canadian Provinces:
- Alberta
- Ontario
Asphalt Price Increases

Q #19 - If data are available, what construction bid items have experienced the most rapid cost increases in the past year?

Based on Responding Agencies:

- **Cost increase greater than 50%**
  - Low 5.0%
  - High 41.4%
  - Count 38
  - Average 17.1%

- **Cost increase between 20%-50%**

- **Cost increase between 10%-19%**

Canadian Provinces:

- Alberta 28%
- Ontario
Portland Cement Concrete Price Increases

Q #19 - If data are available, what construction bid items have experienced the most rapid cost increases in the past year?

Based on Responding Agencies:

- Low 1.0%
- High 80.0%
- Count 33
- Average 21.0%

Cost increase greater than 50%
Cost increase between 20%-50%
Cost increase between 10%-19%

Canadian Provinces:
- Alberta
- Ontario
Steel Price Increases
Q #19 - If data are available, what construction bid items have experienced the most rapid cost increases in the past year?

Based on Responding Agencies:

- **Low**: 2.2%
- **High**: 85.3%
- **Count**: 32
- **Average**: 24.2%

- **Cost increase > or = 50%**
- **Cost increase between 20%-50%**
- **Cost increase between 10%-19%**

Canadian Provinces:
- Alberta
- Ontario

Map showing different states with varying percentages of cost increases.
New Price Adjustment Clauses

Q #20 - Have you initiated any new price adjustment clauses not previously noted in the September 2005 AASHTO/FHWA survey? (16 Yes responses)
Use of Steel Price Adjustment Clauses

*based on a 2005 AASHTO SOC survey and April 2006 update*

Implemented steel price adjustments on selected contracts or programmatically Optional bidding – VA, NE

Offered retro-active adjustments for a limited time period (DE, FL, MD, KY, OH, PR, RI)
Use of Fuel Adjustment Clauses

based on a 2005 AASHTO Subcommittee on Construction survey
Use of Asphalt Cement Price Adjustment Clauses
based on a 2005 AASHTO SOC survey
Delays from material shortages
Q #22 - Have you experienced project delays resulting from material shortages of any of the following?

- Portland cement (9 “Yes” responses) AB-Can, AZ, CA, FL, HI, NC, NM, NV, UT
- Asphalt cement (6 “Yes” responses) AZ, CA, FL, HI, IN, NM,
- Structural Steel (9 “Yes” responses) AB-Can, AZ, HI, IN, MI, NM, NV, PA, VT
- Reinforcing Steel (4 “Yes” responses) AB-Can, AZ, HI, NM
- Fuel (1 “Yes” response) FL
- Other responses
Most Effective Initiatives to Control Costs / Increase Competition

Q #26 - Of the above initiatives, which three have been the most effective (or which three does your state consider to be the most effective) in fostering competition and controlling costs?

1. Rejecting non-competitive bids and re-advertising (17, 5, 3)
2. Balancing work type in each letting (7, 4, 3)
3. Bundling projects (placing several smaller projects together) (2, 4, 5)
4. Updating construction cost estimate data (0, 5, 4)
5. Splitting large projects into smaller projects (2, 5, 1)
6. Reducing contractor's risk (3, 1, 3)
7. Deferring project lettings (1, 3, 1)

* 1st / 2nd / 3rd most effective responses
Antitrust Division, US Department of Justice

- Currently working with five State DOTs in pursuing anti-trust matters
- Needs AASHTO cooperation in collecting ownership and other basic information for the aggregate, asphalt and concrete industries operating in your state
Preliminary FHWA Recommendations

- Reject non-competitive bids
- Reconsider risk allocation – through project scoping, contract size, price adjustment clauses, bundling contracts, balancing lettings
- Support the US DOJ’s Antitrust Division collection of data
- Support fraud detection, awareness and prevention activities
- Perform market analysis for evidence of collusion / anti-trust issues