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Unusual joint venture oversees Oregon's big bridge-highway program

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SALEM — When the 2003 Legislature approved billions to repair bridges and rebuild highways during the next decade, it told the state agency in charge not to hire the hundreds of people needed to draft the designs and oversee construction.

Several months after Gov. Ted Kulongoski signed the bill for \$2.5 billion in bonds to pay for Oregon's largest highway construction program in four decades, Oregon Bridge Delivery Partners began operating in Salem.

It is a joint venture of HDR Engineering of Omaha, Neb., and Fluor Enterprises of Aliso Viejo, Calif., two of the nation's largest engineering firms. The company comes up with most designs — or contracts them out — performs construction inspections and manages the \$1.3 billion that Oregon set aside in the program to repair or replace aging bridges.

About 160 people work for the company in buildings within walking distance of the Capitol Mall and downtown Salem. Many of them have worked in other states and countries.

Both HDR and Fluor have worked on big projects. Fluor, for example, is part of a joint venture to build the new segment of the San Francisco-Oakland Bay Bridge — which at \$1.4 billion will exceed Oregon's state bridge-repair program.

"Moving toward outsourcing allows a state to ramp up quickly on a large program and then ramp down," said Jason Neil, deputy program manager for operations for the Oregon joint venture. "This represents the kind of talent Oregon wanted to bring to the table."

The alternative was for the Oregon Department of Transportation itself to hire 600 people. "When those projects were done, the state would have to let that staff go or move them around and have them do something else," said Michael Hatchell, the program manager for the joint venture.

"This partnership gives the state an opportunity to deal with this big load of work in a short period. Then we go away — and ODOT is back doing what it has always been doing."

ODOT has hired 19 more people, mostly for the Bridge Delivery Unit, which serves as a liaison between the joint venture and other parts of the agency, including technical services and ODOT regional offices. ODOT retains overall responsibility.

"We have reorganized and refocused project delivery within our agency," ODOT spokesman Patrick Cooney said. "We are embarking on a program that is new to Oregon and is changing how we deliver projects."

The joint venture also works with the American Council of Engineering Consultants, Associated General Contractors and Oregon Trucking Associations to design and devise projects and minimize traffic delays associated with construction.

Projects are "bundled," which means that bridge work sometimes is coupled with other highway work that ODOT already has scheduled in its regular four-year construction plan. Work on multiple bridges on a single highway sometimes is packaged as a single job.

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During 2003 hearings, legislators raised concerns about the size of projects, fearing that only large out-of-state contractors would be able to compete if the scale of work was too large. But most contracts have ranged from \$5 million to \$50 million. "If you get above a certain dollar level, you are going to change the type of contractor you bring to the table," Hatchell said. "But all of the contracts awarded so far have gone to Oregon contractors."

So far, about 60 percent of the bridges scheduled for work under the 2003 program are being designed, built or completed. With major construction scheduled to begin next year and continue into 2008 and 2009, Oregon Bridge Delivery Partners will reduce its design staff and increase its construction staff.

Until a few years ago, Oregon was one of the few states that continued to do much of its bridge and highway design within the agency. Like most states, it contracted for construction. Just after Kulongoski signed the 2003 bonds, however, Stuart Foster of Medford, the current chairman of the Oregon Transportation Commission, said that within the decade, "you are going to see a new state agency.

"Oregon is on the leading edge," Neil said of the joint venture. "Oregon is one of a few states that has outsourced an entire program. It wanted to pull in as many lessons learned as it could from other states that have done it."

Not all of the observations about outsourcing have been so kind.

When the Legislature approved a total of \$3 billion over three sessions for bridge and highway work, ODOT estimated that \$700 million would go to engineering — but none of it was for in-house work for its Technical Services branch.

In the early years of that work, before Oregon Bridge Delivery Partners started in April 2004, a state audit faulted ODOT for turning to outside consultants when in-house services cost about 20 percent less.

The April 2006 audit, conducted by the secretary of state, reviewed 12 design contracts out of 400 by the agency between July 2000 and June 2003. The dozen contracts by outside consultants totaled \$1.4 million, \$284,000 more than auditors estimated in-house costs would have been.

"We found the department neither aggressively negotiated price with consultants, nor did it have the cost information necessary to establish strong negotiating positions," the audit said.

ODOT's Cooney said the agency emphasized speed to get projects out to bid quickly, create jobs and stimulate the economy.

"As the audit has pointed out, we probably should have been a little more conservative and not taken quite so much risk in the interest of speed," he said.

Sen. Frank Morse, R-Corvallis, said he hoped that ODOT and Oregon Bridge Delivery Partners were not classifying some projects to be designed and built by a single contractor or consortium because of a lack of ODOT staffing.

Such "design-build" projects differ from the traditional method of separate design and construction contracts, the latter going to the "lowest responsive bidder," and those projects are exempt from some public contracting requirements.

"When we passed the increased funding back in 2003, we said to ODOT to do it with fewer people," said Morse, who headed Morse Bros. paving company before his election in 2002.

"That is a virtue, but it may have worked to our disadvantage."

Neil, from Oregon Bridge Delivery Partners, said ODOT, like its counterparts in other states, will focus more on maintenance of the existing transportation system and policy-setting.

"With the competing goals and interests involved in transportation, those responsibilities are more time-consuming than they used to be," he said.

"I think states are relying more and more on the private sector to help them execute the work so they can focus on other things. That is not unique to Oregon."