

**Testimony of
Henry L. Heck, Executive Vice President
Associated Pennsylvania Constructors
before the
House Transportation Committee
October 19, 1995**

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY NAME IS HENRY L. HECK, EXECUTIVE VICE PRESIDENT OF THE ASSOCIATED PENNSYLVANIA CONSTRUCTORS LOCATED IN HARRISBURG. APC IS A STATEWIDE TRADE ASSOCIATION REPRESENTING 230 CONTRACTORS ENGAGED IN HEAVY AND HIGHWAY CONSTRUCTION AND ANOTHER 235 RELATED SUPPLIERS OF MATERIALS AND SERVICES.

I HAVE BEEN ASKED TO COMMENT ON THE PENNSYLVANIA DEPARTMENT OF TRANSPORTATION'S PREQUALIFICATION REGULATIONS, WHICH IS A SYSTEM FOR QUALIFICATION OF COMPETENT AND RESPONSIBLE BIDDERS ON HIGHWAY PROJECTS.

THE PREQUALIFICATION OF BIDDERS REQUIREMENT WAS ADDED TO THE 1945 "STATE HIGHWAY LAW" IN SEPTEMBER OF 1961 DUE IN GREAT PART BY THE EFFORTS OF OUR ORGANIZATION. YOU MAY RECOGNIZE OUR INFLUENCE AS "ACT 649" READS:

"PREQUALIFICATION OF BIDDERS. - THE DEPARTMENT, AFTER CONSULTATION WITH AND RECEIVING THE ADVICES OF THE SECRETARIES OF PENNSYLVANIA ASSOCIATIONS REPRESENTING HIGHWAY CONSTRUCTORS AND OTHER PARTIES IN INTEREST WHO HAVE NOTIFIED THE SECRETARY OF HIGHWAYS, IN WRITING, OF SUCH INTEREST, SHALL, BY REGULATIONS, ESTABLISH AND MAY, FROM TIME TO TIME, MODIFY OR SUPPLEMENT A SYSTEM FOR THE QUALIFICATION OF COMPETENT AND RESPONSIBLE BIDDERS ON HIGHWAY PROJECTS AND FURNISH TO SUCH SECRETARIES AND OTHERS IN INTEREST COPIES OF SUCH REGULATIONS. IN DETERMINING THE QUALIFICATIONS OF BIDDERS, THE DEPARTMENT SHALL CONSIDER THE FOLLOWING FACTORS RELATING TO THE CONTRACTORS: (1)

EQUIPMENT, (2) PAST RECORD, (3) EXPERIENCE, (4) PERSONNEL OF ORGANIZATION, (5) FINANCIAL CONDITION. IN DETERMINING THE QUALIFICATIONS OF NEWLY ORGANIZED BIDDERS, THE DEPARTMENT SHALL CONSIDER THE FOLLOWING FACTORS RELATING TO NEWLEY ORGANIZED CONTRACTORS: (1) EQUIPMENT, (2) PERSONNEL OF ORGANIZATION, (3) FINANCIAL CONDITION.

THE DEPARTMENT SHALL NOT CONSIDER BIDS FROM ANY BIDDER WHO IS NOT QUALIFIED."

THE ASSOCIATED PENNSYLVANIA CONSTRUCTORS WHOLEHEARTEDLY SUPPORTS THE PREQUALIFICATION SYSTEM. WE HAVE A STANDING COMMITTEE WHICH REVIEWS PROPOSED CHANGES TO THE REGULATIONS AND WE HAVE MEETINGS WITH THE DEPARTMENT TO DISCUSS AREAS WHERE WE MAY HAVE DIFFERENCES OF OPINION.

THE REGULATIONS REQUIRE THE COMPLETION OF THREE PARTS; PART 1 IS THE CONTRACTOR'S FINANCIAL STATEMENT, WHICH INCLUDES AN ANNUAL AUDIT BY A CPA OR PA, PART 2 IS THE CONTRACTOR'S ORGANIZATION AND EXPERIENCE STATEMENT, PART 3 IS THE CONTRACTOR'S AFFIRMATIVE ACTION STATEMENT. EACH OF THESE PARTS MUST BE SUBMITTED AND APPROVED EACH YEAR BY HIS ANNIVERSARY DATE IN ORDER THAT HE MAY BE ELIGIBLE TO CONTINUE BIDDING ON PENNDOT PROJECTS.

EACH CONTRACTOR IS CLASSIFIED FOR ONE OR MORE TYPES OF WORK, BASED UPON HIS SUBMISSIONS, ASSIGNED AN ABILITY FACTOR AND GIVEN A CAPACITY RATING WHICH WILL DESIGNATE THE QUANTITY OF WORK UPON WHICH HE WILL BE ELIGIBLE TO BID. A MAXIMUM CAPACITY RATING IS DETERMINED BY A FORMULA: $Q = F(C + 1/2L + 1/2E)$ F=ASSIGNED ABILITY FACTOR, C= NET WORKING CAPITAL, L= LINE OF CREDIT, E= BOOK VALUE OF EQUIPMENT.

CONTRACTORS ARE RATED ON THE PERFORMANCE OF THEIR WORK ON EACH JOB BY PENNDOT DISTRICT PERSONNEL. FROM THESE PAST PERFORMANCE EVALUATIONS AN ABILITY FACTOR IS ASSIGNED TO EACH CONTRACTOR. THIS DETERMINES HOW MUCH FUTURE WORK A CONTRACTOR MAY UNDERTAKE. A CONTRACTOR WHO HAS AN OVERALL UNSATISFACTORY RATING ON PERFORMANCE REPORTS WILL NOT BE PREQUALIFIED.

THE PREQUALIFICATION REGULATIONS PROVIDE THE METHOD AND MANNER FOR THE PROCESSING AND EVALUATION OF THE CAPACITY AND QUALIFICATIONS OF PROSPECTIVE BIDDERS TO PERFORM HIGHWAY PROJECT WORK IN THIS COMMONWEALTH. THEY ARE DESIGNED TO ASSURE THE INTEGRITY AND COMPETENCE OF ALL BIDDERS.

THANK YOU FOR THE OPPORTUNITY TO COMMENT. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.