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August 8, 2023

The Honorable, Chair Ed Neilson
The Honorable, Chair Kerry Benninghoff
Members of the House Transportation Committee

RE: Design Build Best Value ("DBBV")

Chair Neilson, Chair Benninghoff, and Members of the House Transportation Committee:

S&B USA (Shikun & Binui USA) extends its gratitude for the chance to provide testimony on the subject of DBBV and other innovative alternatives to traditional hard bids (design-bid-build or DBB) to the Committee.

Our company has utilized many alternative delivery models in projects in Pennsylvania and neighboring states. As a construction and development company, we have experienced the benefits of this delivery model for certain projects.

DBBV Delivery Process:

DBBV's approach to delivery goes beyond mere cost, integrating both price and technical qualifications into the selection process. Under a DBBV procurement the owner has the flexibility to determine the weight of each factor, customizing what best-value signifies. Typically, a construction company and an engineering firm team up, ensuring the constructability of the design. This streamlines the whole process, saving months or years by mitigating problems that can occur in construction from issues that arise that could have been addressed prior to the construction start.

Two-Stage Selection Process:

We advocate for a two-stage selection process.

- **First Stage:** Short-listing a few select teams which are short-listed based on their submissions following the owner's Request for Qualifications (RFQ).

- **Second Stage:** A detailed Request for Proposal (RFP) process, allowing teams to illustrate their project approach, complete with pricing details.

This two-stage process maximizes the chances that the selected bidder can fulfill its contractual obligations and minimizes the risk of engineering failure or bankruptcy.
The division into two stages ensures the bidders are financially strong and experienced. Then, after verifying bidders' ability to execute the project, they are permitted to invest in optimal design, with assurance of reimbursement for design expenses, at least partially.
Proposals are scored on how they fulfill the owner's needs, and the top team is picked to complete the design and construction of the project.

Comparison with Traditional Design-Bid-Build (DBB) Method:

Unlike the conventional Design-Bid-Build (DBB) method, characterized by its "rip-and-read" approach where price is paramount, DBBV introduces a nuanced selection process. The key benefits of DBBV over traditional DBB include:

- **Faster Delivery:** Collaboration between owner, contractor and engineering company, improves scheduling and results.

- **Lower Cost:** Fewer issues arise, and the fast-tracked schedule leads to cost efficiency.

- **Innovation:** Concepts like Alternative Technical Concepts (ATCs) or Innovative Technical Concepts (ITCs) are used, improving the project's constructability, cost and efficiency.

Inclusion of Local Companies and other Public Needs:

We strongly believe in the inclusivity of smaller and local firms.

Using DBBV procurement is not different from DBB in the use of local labor, local subcontractors and vendors and can be greater if written into the RFP. Additional scoring for collaboration with local subcontractors can also encourage the use of apprenticeship training programs to create workforce development with those benefits lasting beyond the time frame of the project at hand.

In addition to that, principles such as economic, fair competitiveness, labor rights, environmental, diversity in labor employment, etc., can be integrated within the tender's scoring rules to serve public interest.

P3 Method:

A further advancement would be using the Public-Private Partnership, or "P3 method".

P3 is a collaborative model between the owner and a private developer, where some risk is transferred to the private sector. It might take the form of a Design-Build-Finance-Operate-Maintain (DBFOM) project. The benefits include:

- **Finance and Lower Costs:** Private developers bear financial risks, offering expanded capital opportunities with better optimization of lifecycle costs, and where the Owner spreads the payment similar to a mortgage.

- **Improved Level of Service:** Developers maintain and operate the project, under the Lenders' and Owner's supervision, returning a renovated project to the owner.

- **Accelerated Infrastructure Development:** Burden and risk are shifted to the private developer, enabling the owner to execute more projects quickly.

- **Unified Responsibility:** One entity is accountable for all aspects of the project.

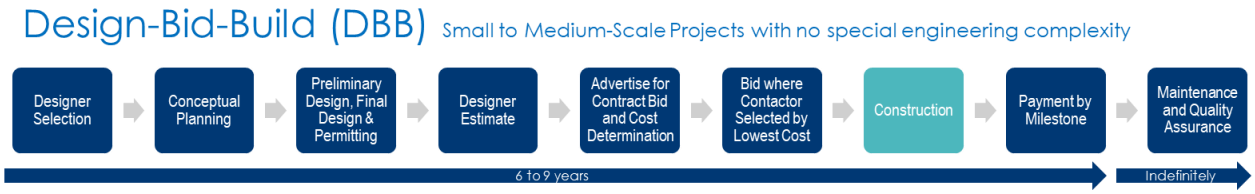
Suitability Based on Complexity:

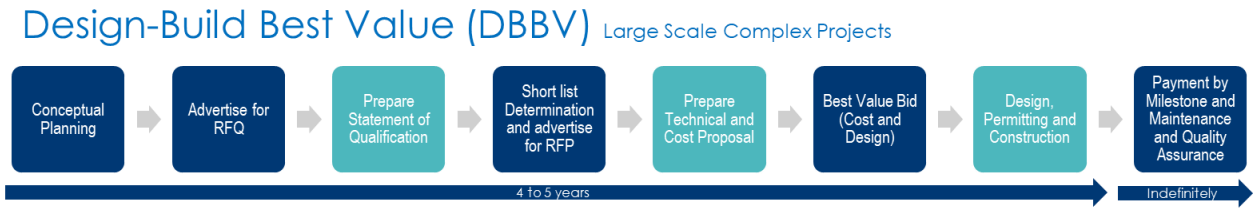
In our opinion each of the three methods has relative advantages depending on the type of project, its complexity and costs:

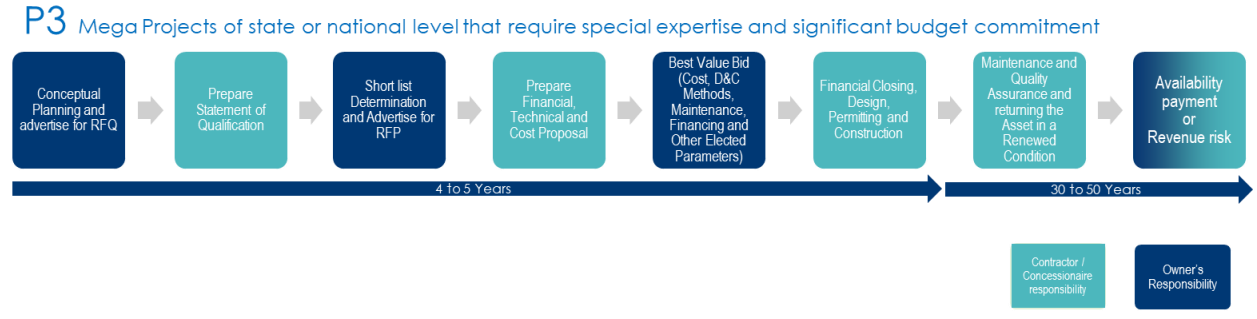
- **Small to Medium-Scale Projects:** With no special engineering complexity, DBBV doesn't have a significant advantage over DBB.

- **Large Scale Complex Projects:** The benefits of DBBV become more prominent.

- **Mega Projects:** For state or national level projects requiring special expertise and significant budget commitment, P3's advantages make execution efficient without impacting other activities within the budget. We also recognize that the Federal Government supports such projects with emphasis on P3 projects through programs such as TIFIA, WIFIA and others.

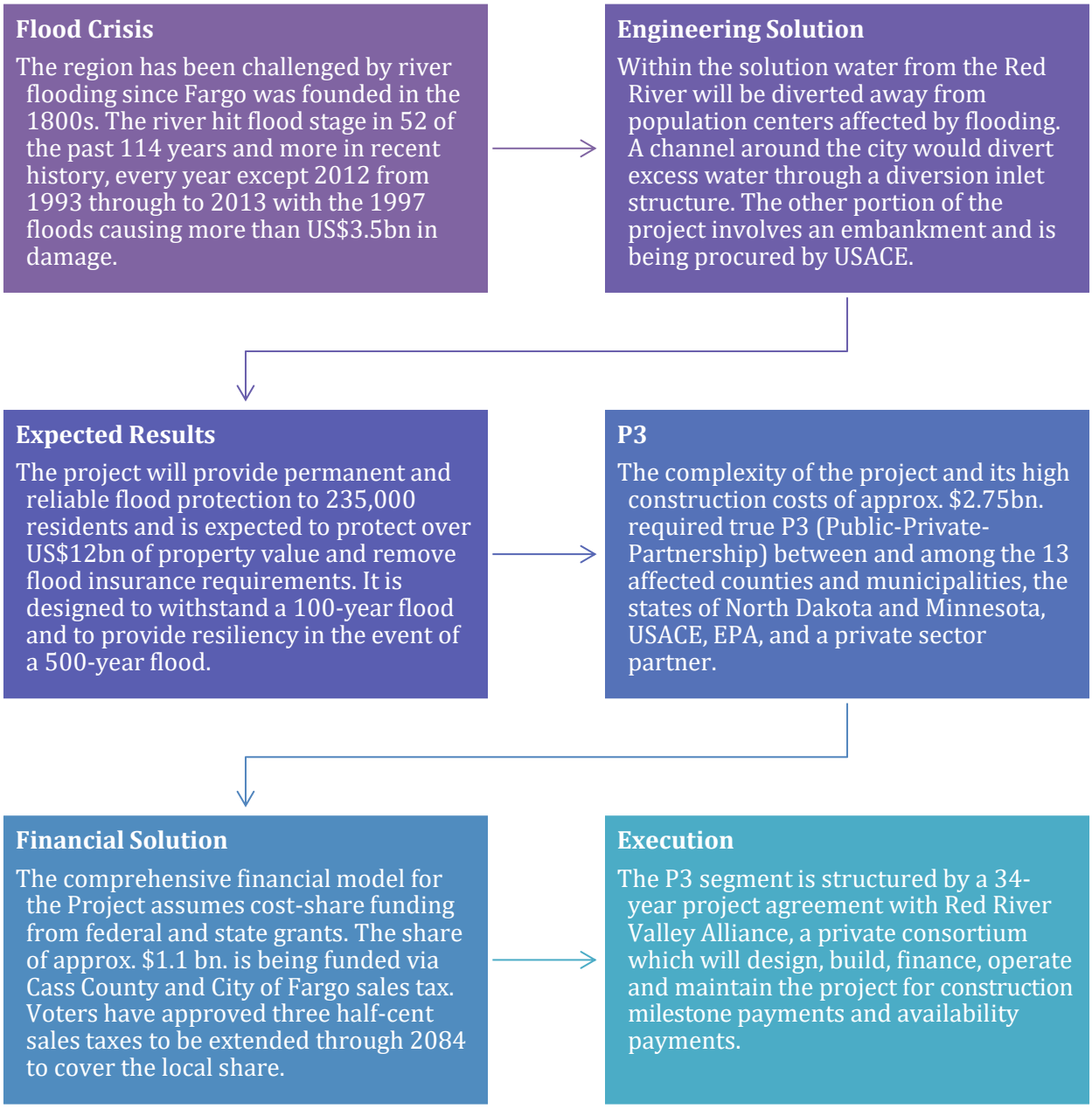






Case Study - The Fargo-Moorhead (FM) Area Flood Crisis:

Please find below a case study in which there was an urgent need to carry out complex and expensive infrastructure works while dealing with budgetary constraints – the Fargo-Moorhead (FM) Area flood crisis and its P3 solution:



We thank you for this opportunity to share insights on these vital topics. We believe the judicious application of these methods can lead to more efficient, innovative, and cost-effective projects that serve the best interests of the Commonwealth.

Sincerely,

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