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Fix Construction Industry to Repair Infrastructure: Commentary

Commentary by Barry LePatner | June 29, 2011 12:01PM ET

(Bloomberg) -- The U.S. has a storied and impressive past when it comes to infrastructural development. The Erie Canal, the transcontinental railroad, and the truly historic Interstate Highway System opened the door to the exponential expansion of the nation's commerce and have played key roles in national security.

More recent history finds an infrastructure system marked not by great advances but tragic setbacks: the failure of New Orleans' levees in 2005, the collapse of the I-35W bridge in Minneapolis in 2007, and the recent rash of canceled projects in New Jersey, Ohio, Wisconsin and Florida that had the potential to bring our dilapidated infrastructure into the 21st century.

Ignoring the nation's infrastructure needs, whether by canceling beneficial new projects or avoiding much-needed repair projects, won't help U.S. economic recovery efforts. In fact, ignoring the need to improve the nation's infrastructure will cost the U.S. economy in the long run.

While America's leaders must of course protect the interests of taxpayers, shelving infrastructure projects isn't the answer. They should instead be working to end the construction cost overruns that have plagued private and public projects for decades. Doing so will require sweeping changes in how the construction industry operates.

Inefficient Industry

The U.S. construction industry is one of the most inefficient industries in the nation. It is dominated by a low-bid, fast-track philosophy, which regularly allows contractors to bid low to win projects and then jack up costs through change orders and claims.

It's imperative that the government find a way to deliver complete infrastructure projects on time and on budget. To do this, they need to set in motion a series of important steps for managing public projects:

-- Require true fixed-price contracts. This will require project architects and engineers to deliver construction documents for bidding that are fully detailed, complete and coordinated with each other. Once finished designs are provided, all risks need to be considered, and a percentage to cover those costs should be added to the price of the project.

-- Hire a forensic monitor. From the early design and contract phases, a forensic team should be involved in oversight of risk assessment, design and implementation of proactive controls, and examination and auditing procedures that provide transparency while preventing and detecting waste and fraud.

Productivity Performance

-- Avoid wasted labor costs. The construction industry has the lowest productivity performance among all non-agricultural industries in the nation. Worker productivity has fallen by more than 22 percent over the past 40 years, according to a Bureau of Labor Statistics study. Shockingly, some 50 percent of all labor costs of a project are lost due to late deliveries, poorly coordinated subcontractors and other circumstances. In order to combat this problem, government contracts must require that skilled, experienced on-site construction representatives with in-depth knowledge are retained for projects.

-- End fast track forever. Building quickly isn't better than building safely and cost efficiently. By taking a fast-track option off the table for public infrastructure projects, policy makers will be taking a huge step toward protecting government and taxpayer budgets.

Technology Produces Savings

Using appropriate technology in our nation's transportation infrastructure will produce enough savings to offset the staggering costs resulting from the past few decades of deferred maintenance.

For example, new assessment technologies exist to anticipate bridge remediation years before rust, corrosion and cracks in the structure appear. The federal government needs to provide states with funds to purchase this equipment and train their inspectors to use it.

Enabling bridge inspectors to ensure precision and objectivity in their evaluation process, which in turn allows us to catch problems earlier when they are easier and less costly to fix, can save state governments millions of dollars a year in unnecessary remediation costs.

From an economic standpoint, keeping transportation infrastructure in a state of good repair makes good sense. A recent [study](#) by the American Association of State Highway and Transportation Officials shows that a poorly maintained road with 25 years of maintenance neglect costs three times as much to repair as a road that has been regularly maintained over the same period.

Failing to fix our ailing infrastructure will, in time, only run up the cost of repair in the years ahead.

It's time for government officials, the federal and state transportation agencies, and leaders in the construction industry to sit down and discuss how we can reform this broken system. Killing much-needed infrastructure projects is not and cannot be our long-term solution. Our nation's leaders must find a way to responsibly and efficiently begin rebuilding and repairing the nation's infrastructure.

(Barry LePatner is a [lawyer](#) serving as construction counsel representing corporations, institutions and real estate

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BARRY LEPATNER

About the Author



Barry LePatner is a lawyer serving as construction counsel representing corporations, institutions and real estate developers. He is author of *Too Big to Fail: America's Failing Infrastructure and the Way Forward*.

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To contact the author of this column: Barry LePatner at

To contact the editor responsible for this column: David Rapp at drapp5@bloomberg.net

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