



800 N. 3rd Street, Suite 503
Harrisburg, PA 17102
www.LongerLifePavement.com
Penn@pavement.com

House Transportation Committee
Informational Meeting on Moving Pennsylvania Forward by Investing in Roads, Bridges and Transit
Wednesday, September 4, 2024
Wilkes-Barre, PA 18701

Chairman Nielson, Chairman Benninghoff, Members of the House Transportation Committee, Secretary Carroll, guests and attendees. I am here today to talk about responsibly investing in our transportation infrastructure for the sustainability of the Pennsylvania concrete pavement industry. My industry is comprised of companies that include family-owned businesses, partnerships and corporations that have a vested interest in the use of quality concrete pavement. These are companies that purchase cement, steel and other materials, who subcontract to diamond grinders who make our roads smoother. These businesses employ engineers, clerical workers, sales staff, paving equipment operators, laborers and finishers, union and non-union men and women who build and repair roadways. They staff cement and concrete plants 24/7, they sweat and get their hands dirty, they are people who we just this past Monday honored and celebrated on Labor Day. My name is John Becker, and I am the President of the Pennsylvania Chapter of the American Concrete Pavement Association.

Transportation investment funding is vital for building and maintaining our infrastructure, for allowing our citizens to get to work, to their health care providers, to their places of worship, to community events, and to get home SAFELY. Members of the concrete pavement industry have provided spoken and written testimony over the years to this committee, to Transportation Chairs Geist, Markosek, Taylor, Hennesey, Carroll, and others in support of transportation funding, in support of Act 44, in support of Act 89. We have a long history of advocating for a well-funded transportation infrastructure program.

We have also advocated for competition in the paving market. Studies including those undertaken by the Massachusetts Institute of Technology, have shown that highway agencies that are committed to two healthy paving industries and to competition between paving industries benefit by lower bid prices for both concrete pavement AND asphalt pavement. Armed with this information, not only has my industry spoken, but we have heard many decision-makers and staffers at PennDOT and elsewhere talk about how important it is for the Commonwealth to have two healthy paving industries, because it forces both paving industries to focus on quality, on efficiencies, and because competition benefits the taxpayer.

Unfortunately, the dialogue has not dovetailed with the data. We have seen a steady and continuous decline in the use of concrete pavement over recent years. For 2024, PennDOT projected purchases and placement of 179 thousand square yards (equivalent to about 117 thousand tons) of concrete pavement. That is only 2.6 percent of all pavement tons placed. The concrete pavement industry did not have an opportunity to compete for 97.4 percent of the over 4.5 million tons of pavement tons purchased in 2024.

The 117 thousand tons of concrete pavement to be placed in 2024 represents a 91% decrease since 2002. Much of this drop can be attributed to poor concrete pavement performance attributable to a faulty design, when the use of open-graded, unstabilized bases was imposed upon the concrete pavement industry in the mid-1990's. What could have been rectified with a stroke of the pen took several years of hard work on the part of the industry in working with PennDOT staff to upgrade specifications and standards to match nationally recognized best practices.

As concerning as this drop in concrete pavement usage since 2002 is to my industry, we have also seen the combined tonnages of concrete pavement, asphalt pavement, structural concrete and aggregates drop by 43%. Considering that over this period we have seen transportation funding increase because of Act 44, Act 89, and the federal Infrastructure Investment and Jobs Act, this decrease in material usage purchase should be alarming to all.



Material inflation has certainly played a part in explaining the loss of purchasing power of the Department, but it appears that this decline may also be attributable in part to the fact that most pavement purchases are of the more inflation prone product. Data from the Bureau of Labor Statistics shows that, since 1971, asphalt materials have inflated at a rate of almost twice as much as what has been reported for concrete products, ready-mixed concrete and cement. That said, a very important part of the pavement type selection process is the use of a Life Cycle Cost Analysis. Unfortunately, a shortcoming of this process is that there is an assumption that pavement materials inflate at the same rate. Despite the General Accounting Office recommending to FHWA that LCCA guidance be revised to take inflation into account, we have learned that FHWA is suggesting that PennDOT not do this. We will continue to work with PennDOT, with FHWA, and with you, in advocating for inflation to be incorporated into the pavement type selection process.

Alternate bidding is another tool that can be used to determine pavement type for a project, but unfortunately this tool has not been recently used. We have seen over the past several years a plethora of crack & seat asphalt overlay projects being advertised with no concrete overlay alternate, even though when similar type work was advertised in 2015, it put a concrete overlay head-to-head against a crack & seat asphalt overlay. The concrete overlay came in at more than \$2 million below the lowest asphalt bid. The lack of a concrete overlay alternate on many of these crack & seat asphalt overlay projects means that there have been missed opportunities for saving money.

The 95 thousand tons of work being considered to be advertised using ADAB next year is a good start, but for my industry to invest in equipment, in people, in new technologies, and for my industry to build on the knowledge and expertise gained from project to project, we need a commitment for a steady and predictable level of work; we are an industry that can deliver over one-million tons of concrete pavement annually.

We have worked tirelessly with PennDOT to develop ready-to-use specifications and standards for concrete overlays, roller compacted concrete, concrete intersections which include roundabouts and divergent diamond interchanges, composite pavement, and alternate-design alternate-bid policies. Now is the time for putting all these tools to use, and now is the time for investing responsibly in the transportation infrastructure so that we can put the men and women who are the concrete pavement industry back to work in earnest.

I again want to thank the committee for allowing me to speak to you on behalf of the concrete pavement industry and am happy to answer any questions that you may have.

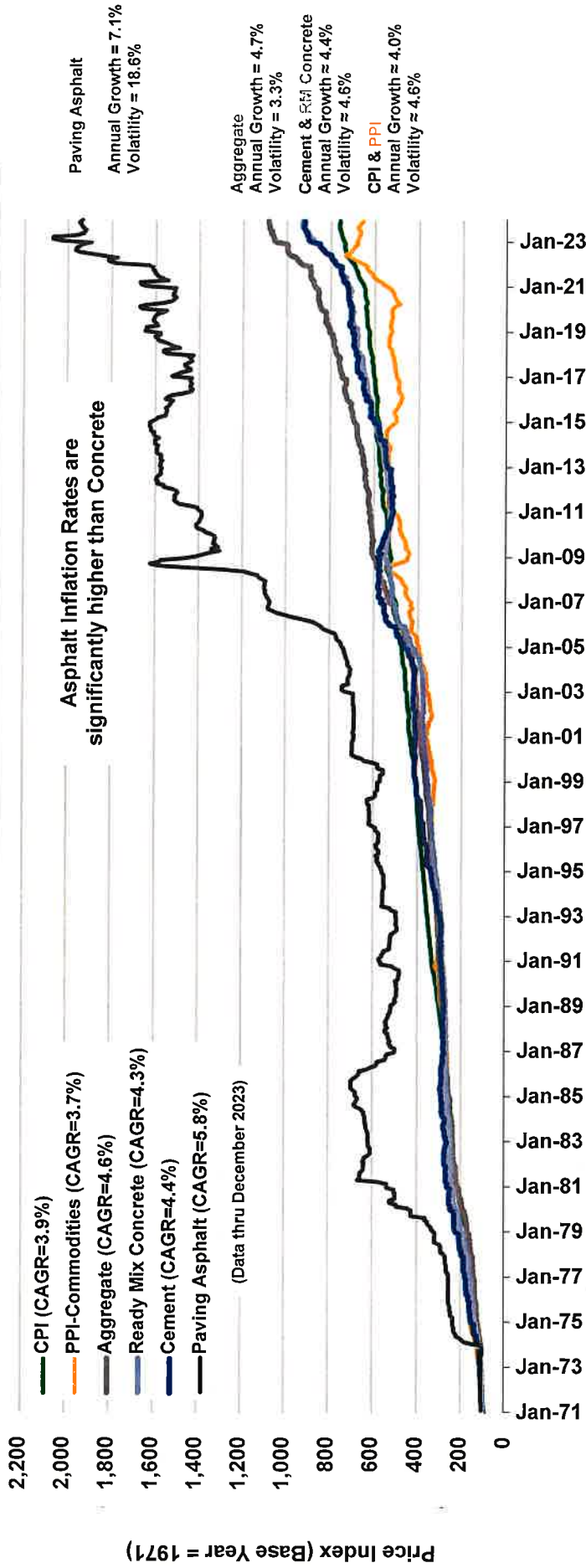
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REAL DISCOUNT RATES ASSUME THAT INFLATION IS THE SAME

Real DR \approx Interest Rate – Inflation Rate

It is intended to show “constant dollars” and “constant purchasing power”

BLS Inflation Indexes since Jan 1971



“Real price change” is the difference between a specific product’s inflation rate & the general rate of inflation
Not accounting for “real price change” when estimating Costs biases the results

1. Real Price change is also known as aka changes in relative prices, differential inflation rates, material specific inflation, & constant dollar changes.

2. U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/ppi/home.htm>

3. CAGR = Compound Annual Growth Rate

CONSTRUCTION MATERIAL QUANTITIES

Material	2020	2021	2022	2023 thru October	2024*
Asphalt (Tons)	4,240,700	4,252,700	4,581,000	4,393,100	4,467,000
Structural Concrete (CY)	217,000	205,500	206,900	191,800	176,600
Concrete Paving (SY)	532,700	785,500	546,200	231,800	179,400
Aggregate (Tons)	5,388,700	5,408,300	5,458,200	4,933,900	4,838,000

* Estimated Projections



Figure 1

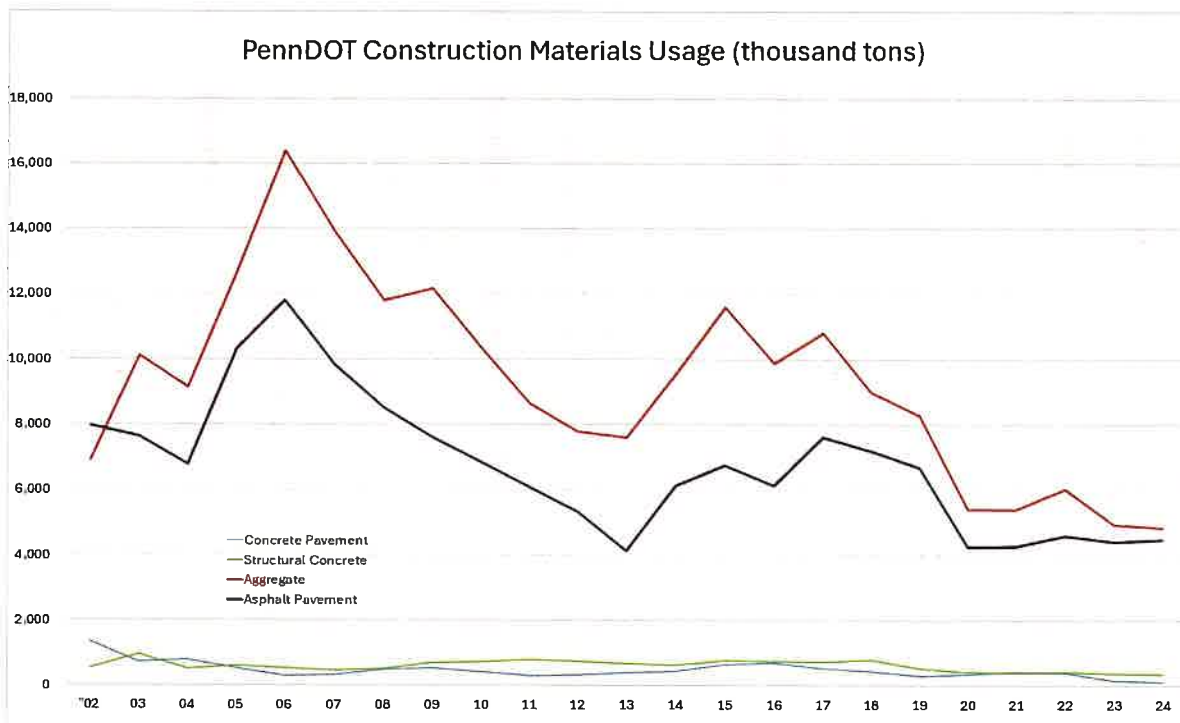


Figure 2