

Comments to Florida Department of Transportation Pavement Type Selection Manual Chapter 4, 2-21-2011 Revisions

Sam Joiner, Concrete Paving Alliance of Florida Chairman

Section 4.1 PURPOSE

Comment:

While the added 2nd sentence of the first paragraph is a needed, and well-worded, qualification of the need for, or emphasis given, to the economic analysis component of the PTS process for certain facilities, it is recommended that the 1st paragraph specifically include the strategy of “improving the pavement structure through an overlay process”. It is believed here that the 1st sentence of the 1st paragraph is prescriptive to the point that the EOR will not see or choose a rigid pavement overlay as a design solution for even its most appropriate application.

Section 4.3.1 Time Periods

Second bullet (re: Discount Rate)

Comment:

In the comments previously provided by myself for the CPAF, we recommended that a discount rate consistent with OMB Circular A-94 be used, and offered a suggestion on a method by which to apply this data. While the reduction of the Discount Rate used in Chapter 4 from 4.0% to 3.5% is a step toward a more actually reflected value, we believe that the adoption of any static value of discount rate will inherently be inaccurate and problematic to the PTS process.

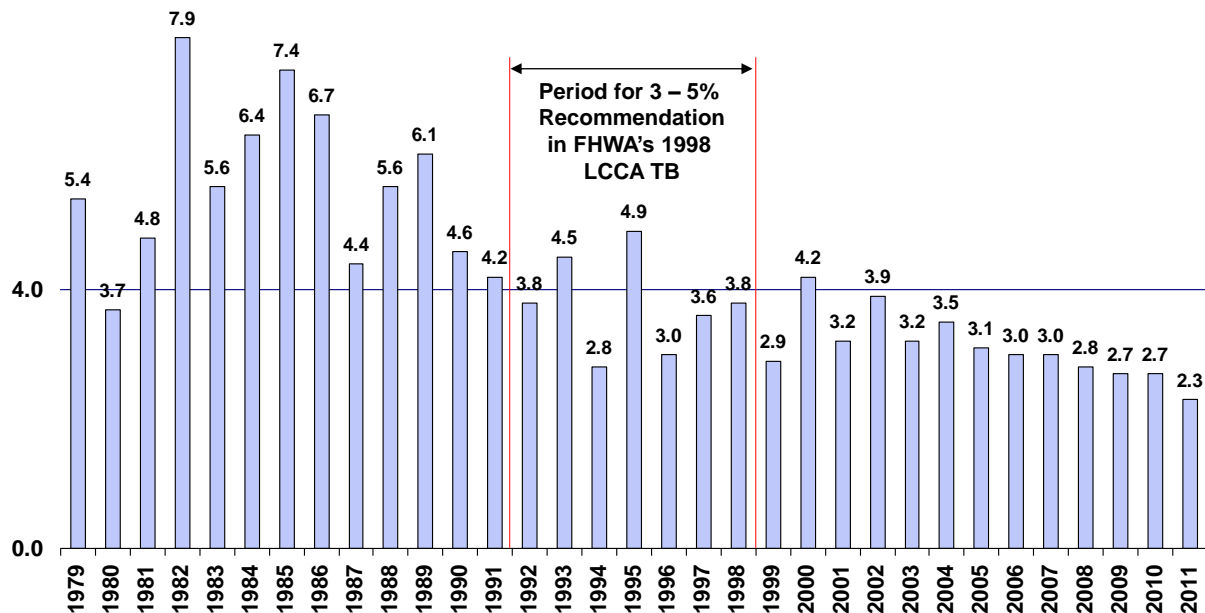
Please see the information provided below by Jim Mack of Cemex:

The most recent recommendations by FHWA (1) is that “Discount rates should be consistent with OMB Circular A-94.” Figure 1 below shows the historical OMB rates since 1979. Since FHWA’s recommendation has come out, 7 states have adopted the OMB rates as the recommended Discount Rate in their LCCA (MI, MO, NV, OH, and WV use the 30-Year Real Discount Rates, CO uses 10 year rolling average, and MN uses 5 year rolling average), which indicates that the trend is towards OMB rates.²

Figure 1: Yearly Recommended 30-Year Real Discount Rates from OMB circular A-94

¹ Clarification of FHWA Policy for Bidding Alternate Pavement Type on the National Highway System, U.S. Department of Transportation, Federal Highway Administration, Nov 13, 2008 <http://www.fhwa.dot.gov/pavement/081113.cfm>

² Data from 2007 National LCCA Survey by Mississippi DOT, National LCCA Survey Conducted by South Carolina DOT, and review of State DOT Pavement Design and/or Pavement Type Selection Manuals



We continue to recommend that FDOT use the OMB rates, or as tentatively proposed in FDOT’s SUMMARY OF ISSUES AND DEPARTMENT POSITION , Attachment B (response 31), follow the Colorado approach and use a ten year running average OMB 30 year real discount rate.

The reason for this recommendation is that a fixed real DR value, such as 4%, 3.5%, or any other value can and will become outdated and not reflective of actual conditions . As can be seen in Figure 1, as the 30 year economic conditions and expectations change, a set value may not be representative of future conditions. By pegging the real discount rate to the OMB recommended rates, the FDOT’s process will remain dynamic and representative of the current economic conditions.

Our position to use the OMB rates is not counter to the position advocated by the Asphalt Contractors Association of Florida in their July 20, 2010 Comments on Chapter 4, Appendix 1, nor the position advocated by the Asphalt Pavement Alliance³. Specifically, these comments are:

Asphalt Contractors Association of Florida

The FHWA (1998) recommends using a discount rate between 3 and 5%, and the MEPDG recommends establishing the discount rate according to that set by the federal Office of Management and Budget Circular A-94 which is updated annually.

Asphalt Pavement Alliance

It is suggested that Circular A-94 from the White House’s Office of Management and Budget, (Ref. 3) along with the annual Appendix, be used to select the appropriate

³ KEYS TO A SUCCESSFUL ALTERNATE BIDDING PROCESS, Asphalt Pavement Alliance, 5100 Forbes Boulevard 2nd Floor Lanham, MD 20706 (page 4)

discount rate. Circular A-94 suggests using the 30-year “real discount rate” for an analysis period greater than or equal to 30 years. The real discount rate normally falls in the range of 3 to 5 percent.

While the 1998 FHWA LCCA bulletin⁴ does state that 3 to 5% real discount rate is good practice, it is based on a short time frame between 1992 and 1998 (between the red lines in Figure 1). As can be seen, that time frame is not representative of years before 1992-98, nor is it representative the years after 1992-98.

Comment cont.

We continue to maintain that a 10-year rolling average of OMB rates is a much better approach to determining a discount rate for use in the PTS process.

⁴ Life-Cycle Cost Analysis in Pavement Design, Pavement Division Interim Technical Bulletin, U.S. Department of Transportation, Federal Highway Administration, FHWA Publication No. FHWA-SA-98-079, September 1998