

ACPA testimony in support of Competition Amendment in Substitute House Bill 74

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Chairwoman Kunze, Vice Chairman Reineke, Ranking Member Antonio, and Members of the Senate Transportation Committee. Good morning. My name is Leif Wathne. I am a civil engineer and the Executive Vice President of the American Concrete Pavement Association. We represent concrete paving contractors, cement producers, design engineers, materials producers and equipment manufacturers across the United states, including right here in Ohio. I am here to provide testimony in support of the competition amendment included in Amended Substitute House Bill 74.

This amendment language is a good idea first and foremost because it will enable Ohio to further extend the purchasing power of its precious highway dollar. By embracing and leveraging competition between pavement materials, ODOT can not only realize significant direct savings to taxpayers and future generations of road users, but can also spur innovation, enhance highway quality, and support an important Ohio industry that employs nearly 19,000 men and women in well-paying jobs, and contributes \$1.4 billion to state revenues.

This is particularly important because in the last decade or so, Ohio's pavement marketplace has devolved from a healthy two-pavement competitive system into a single-pavement, asphalt-dominated system. As a result, the concrete pavement industry is now faced with competing against an effective pavement-type monopoly by the asphalt industry, which now has more than 90 percent of the DOT paving market year after year. This erosion of healthy and spirited competition between the pavement industries is not only harming the concrete pavement industry in Ohio, it also causes the Ohio taxpayer to suffer!

Now to substantiate the significant and direct financial benefits of healthy and spirited competition between paving industries, MIT undertook the most comprehensive and rigorous scientific analysis ever undertaken on this subject. I believe MIT is submitting a summary of

this work directly to the Chairman's office. Their analysis involved a comprehensive multivariate analysis of DOT bid pricing data on 10 years of data, including 298,000 pay items from 47 state DOTs. The results clearly show that competition between industries involved in the production of paving materials has a significant beneficial impact on pavement unit prices and agencies' purchasing power. The analysis confirms that developing and maintaining an effective level of competition between paving industries allow highway agencies to extend their current budgets and build more pavements for their investment. Specific to Ohio, the MIT analysis shows how unit prices for asphalt and concrete pavement could drop by 5% and 19%, respectively, simply by adjusting the asphalt paving program down from 90% market dominance to 75%! There is a reason competition is foundational to the American way of doing business – it pays dividends!

Let me conclude by saying that maintaining the status quo is clearly not the most equitable and cost-efficient approach— an aging and deteriorating network, growing needs, and shrinking resources demands a rethinking of how we stretch and steward our highway dollars. We need to take advantage of ALL the tools available to us to ensure that taxpayers get the best bang from the highway dollar. It is indisputable that the introduction of and commitment to policies that foster healthy competition between the paving industries in Ohio is an important step to that end, and something that will net Ohio taxpayers and road users dividends for decades to come.

Thank you for the opportunity to address the committee. I am happy to take any questions you may have.