

Testimony of the Modular Building Institute

**Committee on Veterans' Affairs
Subcommittee on Health
United States House of Representatives**

Hearing on VHA Contracting and Procurement Practices



Thursday, September 23, 2010



**Testimony of Linc Moss, Ramtech Building Systems, Inc.
On Behalf of the Modular Building Institute
Subcommittee on Health of the U.S. House of Representatives Committee on
Veterans' Affairs**

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Chairman Michaud, Ranking Member Stearns and members of the Committee, I am Linc Moss, Senior Vice President & Chief Operating Officer of Ramtech Building Systems, Inc. a vertically integrated design-build commercial modular construction firm based in Mansfield, Texas. I am testifying today on behalf of MBI – the Modular Building Institute – a not-for-profit trade association established in 1983 that serves to represent companies involved in the manufacturing and distribution of commercial factory-built structures.

MBI appreciates the opportunity to speak to the Committee on ways to improve contracting with the Department of Veterans' Affairs (VA). Throughout the construction industry there has been concern with the VA as to the solicitation of construction projects that call for a delivery system referred to as "Design-Bid-Build." This traditional project delivery method is often more costly and less efficient than other delivery methods and its restrictive nature prohibits alternate forms of construction such as permanent modular, tilt-wall and pre-engineered steel construction from being able to participate in the bidding process. Within the last few months there have been two separate RFP's issued by the VA that Ramtech was interested in bidding on. However, because the RFP was issued using a Design-Bid-Build approach, Ramtech and other alternative forms of construction firms were unable to participate.

As is explained in greater detail throughout this testimony, the Department of Veterans' Affairs could greatly improve the way it solicits construction projects if it utilized an alternate project delivery system known as "Design-Build." Over the past decade, the use of Design-Build has greatly increased in the United States, making it one of the most significant changes in the construction industry. The Design-Build method, which has been embraced by several government agencies, including the United States Army Corps of Engineers (USACE), streamlines project delivery through a single contract between the government agency and the contractor. This simple but fundamental difference not only saves money and time, improves communication between stakeholders, and delivers a project more consistent with the agency's needs, it also allows for all sectors of the construction industry to participate.



The Increased Use of a Design-Build Delivery System – How would it benefit the Department of Veterans’ Affairs?

The Design-Build project delivery system offers the VA a variety of advantages that other construction delivery systems cannot. Typically, under the Design-Build approach, an agency will contract with one entity to both design and construct the project. This is in contrast with Design-Bid-Build, where an agency has to contract with multiple entities for various design and construction scopes during the construction project.

By greater utilization of the Design-Build delivery system, the Department of Veterans Affairs can achieve these goals:

- **Faster Delivery** — collaborative project management means work is completed faster with fewer problems;
- **Cost Savings** — an integrated team is geared toward efficiency and innovation. Furthermore, with Design Build, construction costs are often known far earlier than in other delivery methods. Because one entity is typically responsible for the entire project, they are able to predict costs more accurately than when a Design-Bid-Build system is utilized. The contracting for Design-Build services allows the agency several decision points during design. The decision to proceed with the project is made before substantial design expenditure and with knowledge of final project costs;
- **Quality** — Design-Builders meet performance needs, not minimum design requirements, often developing innovations to deliver a better project than initially foreseen;
- **Single Entity Responsibility** — one entity is held accountable for cost, schedule and performance. With both design and construction in the hands of a single entity, there is a single point of responsibility for quality, cost, and schedule adherence. The firm is motivated to deliver a successful project by fulfilling multiple objectives, such as with the budget and schedule for completion. With Design-Build, the owner is able to focus on timely decision making, rather than on coordination between designer and builder;
- **Reduction in Administrative Burden** — owners can focus on the project rather than managing separate contracts;
- **Reduced Risk** — the Design-Build team assumes additional risk. Performance aspects of cost, schedule and quality are clearly defined and responsibilities balanced. Change orders due to errors are virtually eliminated, because the design-builder had responsibility for developing drawings and specifications as well as constructing a fully-functioning facility.



Just to underscore the benefits of a Design-Build project delivery system, the Construction Industry Institute, in collaboration with Pennsylvania State University performed a study examining the various construction methods and found that:

- **Unit Cost:** Design-Build was typically 6% less costly than a Design-Bid-Build system;
- **Delivery Speed:** Design-Build was 33% faster than Design-Bid-Build;
- **Quality:** Design-Build met and exceeded quality expectations at all levels

Unfortunately, the Department of Veterans' Affairs has been unwilling to embrace the Design-Build construction method as much as other Federal Agencies. According to VA personnel, only 30% of VA solicitations call for a Design-Build delivery system, while the rest rely on a Design-Bid-Build delivery method.

As our nation prepares for an influx of returning warriors, it is imperative that we are able to provide them with the services that will help them assimilate into civilian life. Medical clinics, dental facilities, physical rehabilitation facilities, mental health treatment facilities as well as interim veteran housing will need to be provided in an efficient and cost effective manner. By adopting the Design-Build approach, the VA could provide these facilities in a compressed timeframe while ensuring that the product delivered is top quality.

A Design-Build System Opens Opportunities for Alternative Design Offerings

By utilizing a Design-Build philosophy, the Department of Veterans Affairs could allow for sectors of the construction industry, such as modular construction, tilt-wall and pre-engineered steel to offer products as well as project means and methods that are currently not exercised due to the restrictive nature of Design-Bid-Build project delivery methods.

Numerous permanent modular contractors such as Ramtech have performed services for the VA facilities but because of the limited amount of Design-Build solicitations, the opportunities are severely limited.

Recently, the National Institute of Standards and Technology (NIST) released a report identifying modular construction as an underutilized resource and a breakthrough for the U.S. construction industry to advance its competitiveness and efficiency. One of the findings in the NIST report was ***“Greater use of prefabrication, preassembly, modularization, and off-site fabrication techniques and processes.***



For those of us who specialize in alternative construction such as permanent modular, this report simply validated what has been known for a long time: Construction methods such as permanent modular leads to improved efficiency and productivity.

By greater utilizing the Design-Build delivery system into the Department of Veterans' Affairs construction policies, the VA could greatly increase the amount of projects that contractors utilizing alternative forms of construction could participate in and therefore experience the benefits as outlined in the NIST report.

Let me emphasize that alternative construction methods such as permanent modular are not always the solution. There is no one perfect building system for every application. However, by expanding opportunities for them to be part of the process the Federal Government can be assured that it gets the 'best value' by seeing all the options before awarding a contract.

The Design-Build Delivery System Enhances Service-Disabled, Veteran-Owned Small Business Participation

Because the Design-Build method typically relies on a single source for both the design and construction of the project, Design-Build contractors often partner with architectural/engineering firms to assist in the design of the project. This fact facilitates partnering between Service Disabled, Veteran-Owned Small Business with construction firms such as Ramtech that perform the work.

Because of this direct working relationship between the SDVOB and the Design-Build contractor, the project is consolidated eliminating unnecessary levels within the project structure. Because the Design-Build method encourages these relationships, businesses such as those that comprise the membership of MBI have forged excellent partnerships with SDVOB's to perform on projects for various government agencies.

In the permanent modular construction field, a relationship with a contractor such as Ramtech means that a SDVOB partner will get approximately 60-70% of the building delivered and installed by Ramtech while a SDVOB partner performs the site work, utility connections, foundation and roof. SDVOB's often do not have the logistical capability to site- build an entire building, but they have the ability to perform other critical functions that comprise 30-40% of the project.



Undoubtedly, one of the top goals of the VA is to ensure that there are increased contracting opportunities for SDVOB's with the VA. To that end, MBI feels that simple changes could greatly increase SDVOB participation in construction projects.

One way to expand the involvement of Service Disabled, Veteran Owned Businesses is by encouraging and expanding the use of the Design-Build approach.

Conclusion

Contractors that rely on a Design-Build delivery system have, and continue to overcome obstacles when it comes to working with the Department of Veterans Affairs. While businesses such as Ramtech are anxious to compete, the current trend of Design-Bid-Build projects issued by the VA inevitably prohibits that participation.

The construction industry has seen great advances over the past ten years, and one of those is the Design-Build delivery system. More and more contractors are beginning to utilize Design-Build because of the advantages that are offered. However, until agencies such as the VA decide to solicit more projects using a Design-Build method, these companies will be unable to participate. The members of MBI ask that the Veterans' Affairs Committee look into the issues discussed today in the hopes of improving the way the VA procures construction projects. Our recommendations would ensure that the Federal Government gets the 'best value' and also maximizes opportunities among SDVOB's and alternative construction methods.

On behalf of MBI, as well as on behalf of Ramtech Building Systems, Inc, I thank you for your time and attention to these matters. It is our hope the Committee can continue to rely on MBI as a valuable resource when it comes to issues relating to the construction industry.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Lincoln Moss". The signature is fluid and cursive, with a large initial "L" and "M".

Lincoln Moss
Senior Vice-President and Chief Operating Officer
Ramtech Building Systems, Inc.