

Are Turnkey Projects a Viable Alternative?

by Carol A. Shearls

ABSTRACT:

Questionnaires were used to gather information about 26 turnkey projects in six states to determine whether turnkey projects are a viable method of using available federal highway funds. The six states were Florida, Indiana, Kentucky, Louisiana, Virginia and Wisconsin. Information gathered about each of the projects includes how well states met projected deadlines, costs and expectations, and the amounts of federal and state money used as a result of turnkey projects. Over half of the projects were completed on time. None were completed ahead of time. Total costs ranged from a high of \$1,763,292 for a five mile Indiana highway bypass project to a low of \$33,000 for a one mile Louisiana road hazard elimination project. None of the states used the turnkey concept to save money. They did, however, expect to save time. Every project was done as a turnkey project because of understaffing at the state level. The total cost of all 26 turnkey projects was \$9,808,263 with federal reimbursement of \$4,595,479 or 46.9 percent. By using a consultant to perform right-of-way functions, the states were able to use their own staff for priority projects, thereby using federal money on their priority projects. Each state indicated they would use more turnkey projects in the future.

Many states have road and bridge projects that must be completed, but don't have the staff to perform the right-of-way services necessary to do the jobs. A state could hire more people and spend time and money to train them, but then the state is faced with the problem of too many employees after the backlog of projects has been completed.

Another problem that many states face is the allocation of available federal funds for reimbursement. If federal money available to a particular state is not allocated to a project within a specified time limit, it may be lost to that state and become available to other states.

To solve the problem of understaffing, some states have tried

the turnkey method of right-of-way acquisition. According to O.R. Colan (1986) of O.R. Colan Associates, Inc., the basic premise of the turnkey operation was first used in the construction industry. The building contractor was given complete control of the remaining phases of a project by means of a contract. After the work was completed, the contractor "turned the keys" over to the owner of the building. The turnkey operation provides supplementary professional staff to aid in a project which creates a greater work load than the permanent staff can accomplish within a specified time period. The same principle has been applied to the right-of-way phase of a road or bridge project. The only constraints are those of state, federal and local laws, and departmental procedures. According to John J. Coates, Jr., President of Coates Field Service, Inc., theoretically a turnkey project can save the state time and money because a consultant provides the specialized expertise that is required for land acquisition. The turnkey concept addresses business management's

Continued on Page 10

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Continued from page 9

concerns about staff planning and fiscal financial management.

The turnkey concept for right-of-way acquisition is less than five years old, which limits the amount of data available. Local public agencies have used the turnkey method successfully for some time (see Casper, 1990).

To begin this study, the Federal Highway Administration (FHWA) was asked to provide a list of the states most likely to have performed turnkey projects. These states were contacted by telephone. As a result of these conversations, 19 states were included in this study. The 19 states are Arizona, California, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, North Carolina, Ohio, Oklahoma,

Pennsylvania, South Carolina, Tennessee, Virginia, Washington and Wisconsin. Of those 19, only eight states indicated had utilized turnkey projects. Questionnaires were sent to Florida, Indiana, Kentucky, Louisiana, Ohio, Tennessee, Virginia and Wisconsin. After reviewing the questionnaire, Ohio decided they had not actually done turnkey projects. Information from Tennessee was not received in time for inclusion in the study.

The questionnaire was designed to determine whether the turnkey method of acquiring right of way is a viable alternative to states using their own staff. Quantitative and qualitative (descriptive) data was requested in the questionnaire. Areas addressed

TABLE 1

Total cost of all 26 projects:

Federal share\$4,595,479
State share5,212,784
Total amount9,808,263

TABLE 2

Scope of work:

Right of Way Engineer3
Appraising17
Review appraising9
Buying26
Relocation19
Property management7

in the questionnaire includes whether the contractor met projected deadlines, costs and expectations of the states. Consultants completed 26 projects in the six states responding to the questionnaires. Florida reported on four turnkey projects, Kentucky on five, Louisiana on six projects and Virginia on seven. Wisconsin used one turnkey project, and Indiana, three.

The states evaluated in this study filled out a questionnaire for each project. The general information requested in the questionnaire included the name of the state, the name of the consultant, the location of the project and the description and length of the project.

The purpose of this study is to examine how well Indiana and states other than Indiana met projected deadlines, costs and expectations associated with turnkey projects. Also, the percentage of federal money used by the states as a result of turnkey projects will be considered. Once these items have been evaluated, a decision can be made whether turnkey projects are a viable method of using available federal funds for the building and improvement of state highway systems. Note that this study is limited to analyzing the data supplied by each state. Actual evaluations are not performed for the states.

The following is a composite of the quantitative data shown on the questionnaires. Table 1 shows the total cost for all the projects broken down into federal and state shares. Table 2 shows the scope of work performed by the consultants. Table 3 lists work-completed data. Table 4 lists the reasons cited by the states for using the turnkey concept. There were a total of 26 projects described. The numbers shown in the following tables refer to



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