

CHANGE IN EFFECT

FHWA REVISES REGULATION PERTAINING TO USE OF ALTERNATIVE TYPES OF PIPE ON FEDERAL-AID HIGHWAY PROJECTS

In mid-December, the Federal Highway Administration (FHWA) revised its national construction and maintenance regulation pertaining to the use of alternative types of pipe on federal-aid highway projects. The change requires the FHWA to ensure that state departments of transportation (DOT) provide for competition in the specification of alternative types of storm water culvert

the purchasing power of federal highway investments, requiring strong competition among alternative construction products, including those in drainage.

The change, which went into effect on Dec. 15, 2006, was made to the FHWA's regulations in 23 CFR part 635 subpart D in response to Section 5514 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for

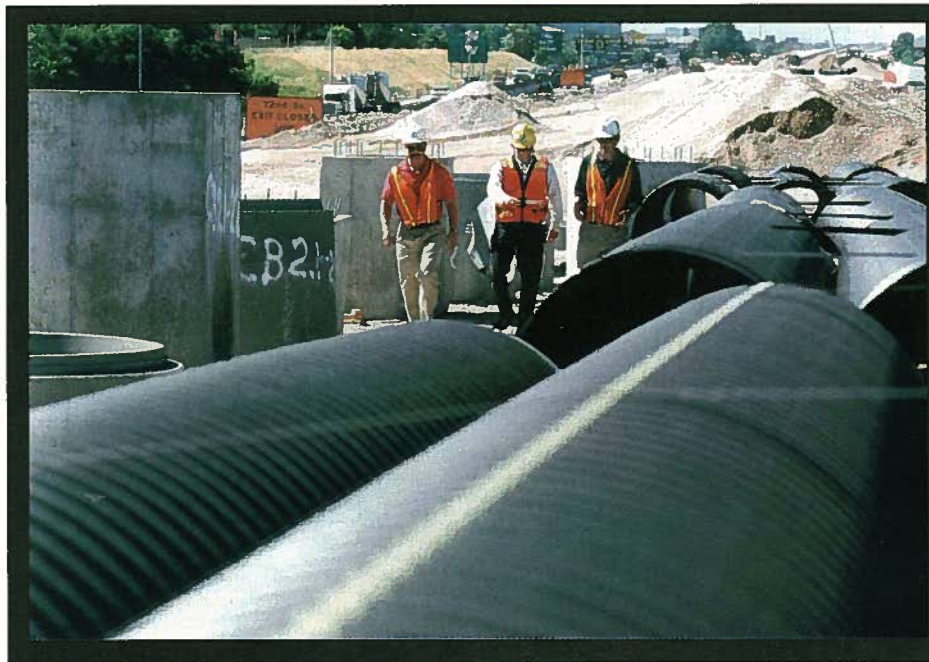
for taxpayers on increasingly expensive public infrastructure projects."

It was seen as an anomaly of the modern highway regulatory landscape for there to remain a 32-year-old, outdated provision, exclusive to pipe, that set out arbitrary limits on the acceptable choices of pipe to be used on various aspects of highway projects. By eliminating this provision, the FHWA said that pipe competition requirements will now become equal to the much broader competition requirements applying to all highway construction materials.

The FHWA noted, however, that the old regulation was codified in 1974 at a time when the culvert materials market consisted of only two materials: reinforced concrete pipe and corrugated steel pipe. At that time, state DOTs were constrained because national materials specifications were limited to these two materials and it was difficult for new pipe manufacturers to enter the public transportation marketplace.

Today, the marketplace is much different and national materials specifications are now available for many additional products and materials such as HDPE, PVC and corrugated aluminum.

Producers of corrugated high-density polyethylene (HDPE) pipe, such as ADS, support the FHWA's decision to make the change. "We believe the new regulation will make an important difference," Chlapaty said. "It clearly has the potential, if implemented properly, to bring in a new burst of dynamic energy into the highway drainage market, especially in those states that have been more resistant to such competition



The FHWA revised its construction and maintenance regulation, effective Dec. 15, 2006, applying to the use of alternative types of pipe on federal-aid highway projects. The change will promote greater competition in state DOT's specifications of types of storm water drainage pipe.

pipes in an effort to promote greater efficiencies and cost savings in the use of transportation tax dollars.

The regulatory change was made out of the need to find additional ways to stretch limited taxpayer dollars that are devoted to highway and bridge improvements. Recent spikes in materials such as steel and cement have decreased

Users (SAFETEA-LU), signed in August 2005.

"The old regulation only served to limit choices and did not reflect the realities of today's competitive marketplace," said Advanced Drainage System, Inc. (ADS) President and CEO Joe Chlapaty. "By promoting greater competition, the new rule should lead to significant savings

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