

## Construction and Transit: Some Highlights of the Question and Answer Session

### *Question:*

I'd like to address my question to Secretary Salvucci and Mr. Bolton. There's a lack-of-resource problem in the Commonwealth, I think, in terms of what we've seen on projects already undertaken with some of the Southwest Corridor people. Regardless of how we want to involve contractors, there is difficulty in delivering "technical assistance, managerial assistance, and bonding. . ." I think SOMBA, even for what it is, is too small for the operations that are coming down the line — \$800, maybe even \$900 million worth of construction work. At the same time, I see the Federal Railroad Resource Center has some of those kinds of technical assistance. But the upgrading of the Northeast Corridor in Massachusetts is going to be undertaken simultaneously with the construction of the Southwest Corridor and the relocation of the Orange Line. It looks to me as if it will probably be the last piece that will come on line, so elements will be under construction and may even be under design now, much in advance of the Federal Rail Center's ability to deliver or anticipate what contracts will be coming down the line. Could both panel members speak to this problem of coordination in the construction of the projects, and is there a way of "kicking-back" in the resources of the two so that contractors participating in set-asides in the Southwest Corridor project would also have access to the kind of technical assistance that the Federal Railroad Administration projects would have to offer.

### *Mr. Salvucci:*

One reason that we are handling the contract with the 30 percent minimum minority contractor participation on the so-called tunnel is that we hope to learn from that how well we can make it work. But also we are hoping to tap the ingenuity of the private sector in doing a lot of training. What we are trying to do is to structure a situation in the competitive bidding so that established majority contractors would see it as being in their interest to help get other firms established so they can compete more effectively. I feel that the best kind of training tends to come from people who are in the business, more often than from resource centers. On the other question, since it's not our resource to share, obviously I hope it is shareable, but I really look to the private sector to get the benefit of that expertise, and hope that the majority contractors have a real incentive to do that kind of thing.

*Mr. Bolton:*

As to the first part, the coordination and timing of the Northeast Corridor project, three weeks ago we let the contract to the architectural and engineering firm that's going to do the overall planning for it and carry out some other activities. It is a majority firm. It is a consortium of 19 firms as a matter of fact, seven of which are black. For the next five months they will set the overall master schedule for the Northeast Corridor, and after we have approved that sometime in the early summer, they will then start to develop work packages for detailed engineering and design work and sometime near the latter part of the summer, some construction work will start. So, in terms of timing, today we are approximately eight months from the beginning of construction, and even when it begins, it will be in small dribbles, but it is scheduled to peak in 1979 and 1980. So there is time for planning and coordination. Certainly in order to achieve these goals it would be our intent to coordinate all projects in Boston and not only for Boston but also other projects along the Corridor that we need to tie in with.

I must say that in the question of management and technical assistance to minority contractors, the Congress perhaps is a bit ahead of some of the other programs in place, like your own Southwest Corridor program. Now at the resource center we will not attempt in the least to replace the kind of training and technical assistance that prime contractors and others can provide. We fully expect to rely on them for training and technical assistance. There's another element of cost that our program is designed to respond to, because in the last five to ten years that I've been associated with these matters I have often heard the industry "profit types" talk about the added burden of dealing with minority firms, either finding them, or all the protean activities that are necessary to bring them up to compete. I don't know of an industry yet that has volunteered to accept that responsibility, and it is that responsibility that the Minority Business Resource Center is designed to carry out. It is a real cost factor. We are doing those things that are necessary to bring the minority businesses up to a point where they can compete, those things that the industry is normally amenable to doing, but we will not get into training or technical assistance.

*Question:*

I have a question about technical assistance for future services that you are going to provide. Are you going to have lawyers, accountants, and estimators on your staff or are you going to hire people on a consultant basis to assist the contractors?

*Mr. Bolton:*

We plan to use consultants. In order to provide technical assistance, we are going to need all the possible resources that can be brought to bear.

While program activities will be developed in Washington, the opportunities must rest with the minority businessmen in the community, and therefore the support that they need also should be found in the communities themselves. So we are not going to try to run any massive program. I probably will never hire any more than ten people, and I have them all coming on board in the next five months. It is my thought simply to keep the program out where the opportunities are. We hope to do a lot of contracting with professional groups and others to ferret out the various services that are needed. That whole mechanism has not yet been defined. We have been utilizing the National Business League in a contract to identify and pull together city by city, to provide the kind of assistance that is needed. It's going to vary, but the economic benefits mentioned in the Act go through the full range of business opportunities. That includes bank deposit programs, utilization of CETA funds, insurance funds, you name them, vendors as well as contractors. So when we look at the business opportunities, we are looking at a total industry. We are talking about the railroad industry, and therefore we are talking about all goods and services that are purchased by those carriers. To the extent to which they are receiving financial assistance, they are required by law to furnish me with information on the services that they purchase and that information will then be made available generally to the minority business community.

*Question:*

I would like to address a question to Secretary Salvucci. The primary thrust of this meeting on minority participation has been, of course, the construction aspect. I was wondering whether your office has addressed the problem of architectural and engineering services and participation in these federally funded programs such as the Southwest Transit Corridor and employing consultant civil engineering firms, with each firm being part of the design team. If so, has a percentage been applied to this part of the service, such as the 3 percent participation for minority contractors in the construction field? Has any similar consideration been applied for A & E services?

*Mr. Salvucci:*

Minority firms have been encouraged to participate for architectural and engineering contracts. I don't believe we are ever going to have a percentage set-aside. But on the Southwest Corridor, for instance, I believe that each station will be done by a team, and a minority professional firm will participate in the team. So we are interested in encouraging minority participation in the professional areas, but we have not gone to the extent of percentage set-asides on those contracts.

*Question:*

I would like to ask Secretary Salvucci why 30 percent was established on the very sophisticated MBTA South Cove tunnel in Boston, when 10 percent is the figure used for the set-aside on this kind of work in Washington, D.C. and other places where there are larger black communities which have had the opportunity over the years to develop companies that can handle this kind of heavy construction work. Also, why 30 percent for Boston when it is also one of the most construction-depressed areas of the country? And finally, why make the figure so high that it becomes frustrating and impossible for those who would like to help. We would really like to help, but it is very difficult to make instant sophisticated heavy construction contractors.

*Mr. Salvucci:*

There are a couple of things that come to mind. One is that the black population in the City of Boston is getting close to 30 percent. I think it's over 25 percent. Another thing I could say is that we hope that the contractors will really work at meeting the 30 percent in the bidding. But earlier Ted made the remark that one of the major things about minority as opposed to majority contractors is that they have a higher propensity to reinvest in the black community. It is therefore a real benefit from the point of view of minority communities for minority contractors to get this work. In addition, there's value per se to having an integrated construction industry. My family has been in construction for three generations and more, certainly since we have been in this country. I, myself, served an apprenticeship in the building trade. And one thing I know is that every person who has ever served an apprenticeship in the trade is convinced that he is being persecuted and discriminated against. Now some racial prejudice may be involved in the way majority contractors treat their minority workers. But certainly the way the construction industry treats apprentices and laborers and the last guy hired is enough to convince you that you are being persecuted, whether or not there is a difference in ethnic background or anything else. There is a value in having a mixture of the kinds of people that are running construction projects. That value exists whether the minority contractors reinvest in the minority community, or whether they choose as a strategy to invest out in Arlington, say, as the speaker at lunch suggested, because that diversifies their investment better. I think there is a value in an integrated business community.

Why 30 percent? It seemed like the reasonable number to try. There is language in those contracts, as you know, that allows the low bidder to get the job if he has made very serious efforts and has come up with 25 percent, if the liaison committee reviews those efforts and the contractor comes in with a valid case that he has really done his best. If the liaison committee can verify that and more important than the liaison committee, the

MBTA, which is the awarding authority, agree in the judgment that the contractor has really made his best efforts, well then we won't make the 30 percent. However, I really hope we can make the 30 percent. I think it's a reasonable goal. But the language is flexible, as long as contractors are willing to meet a very tough test, in working with that liaison committee and satisfying the MBTA that very serious efforts were made. I think that we can meet the 30 percent. If I'm wrong, we'll find that out fairly soon, if we are allowed to open those bids.

*Mr. Landsmark:*

The 30 percent figure initially comes from the community, based on what we thought the available contract or pool was, both here and elsewhere, given that contractors, as you said, have a tendency to travel around to do this kind of work. We based that 30 percent figure on what we thought was available. One of the things that I find most troubling is that the law suit and the complaint filed with the General Accounting Office have prevented the opening of the bids in such a way that at this moment we don't really know whether 30 percent was reasonable or not. We thought that it was. But some have argued prima facie that it was not, and by having done so have stopped that process of opening the bids and having the liaison committee sit down with the low and next-to-low bidder and whomever else, to determine whether or not that was indeed a reasonable figure. What they are telling us is that it was unreasonable, but their protest occurs at a time when we can't know. I find that very troublesome. One other note, just to support the community's position on 30 percent, is that while the overall minority population of Boston is approaching 30 percent, the one reason that the communities particularly in the Southwest Corridor want 30 percent is that in many of the areas the minority population is not 30 percent, it's more like 80 to 90 percent. And an affirmative action program that calls for 30 percent minority business utilization in a community that is 80 to 90 percent minority doesn't sound like that onerous a burden to impose upon a contractor.

*Question:*

If I may, I'll ask Mr. Bolten just one question. In the Northeast Rail Corridor, I understand the amount involved is \$4.7 billion. I'm not clear how much would go to Amtrak, and of that amount that is due to go to Amtrak, how much will be involved in the process of set-asides to minority firms?

*Mr. Bolten:*

We are still fussing around with some of those figures. Amtrak will get most of the maintenance way work, the actual track work on the project. If we look at the total project, I think that that comes to somewhere

between \$500 and \$900 million. That's a pretty wide gap. Of the amount going to Amtrak, we — the Federal Railroad Administration — will specify how much of the amount under Amtrak supervision will go to minority firms. We will set the goals or targets and let them do the subcontracting. So total dollars are not identified yet, in terms of the precise amount, but somewhere in that range, and the way this Corridor project is going to be parcelled out by the Federal Railroad Administration, the work packages will carry varying percentages. Depending on the type of work to be done by a particular work package, Amtrak will have specifications as to the percentage that should go to the minority firms. That percentage will have been determined collectively by Amtrak, the Minority Business Resource Center, and the Northeast Corridor Project management.