

Michigan House Bill No. 5723

Background

Much of Michigan's **water infrastructure systems** were built decades if not a hundred years ago or more. They are nearing the end of their life spans and **must be updated**. Modernizing these systems will be costly and time consuming.

Legislative Purpose

This legislation looks to address this problem head-on, by requiring state-funded projects to allow for materials competition that meets project standards, resulting in **modern infrastructure and taxpayer savings**.

Many Michigan communities use "closed competition", or pre-selection of materials prior to bid solicitation, creating a virtual monopoly for one pipe material.

According to a study of Michigan projects done by BCC Research, switching from a "closed competition" to "open competition" could **save between 27% and 34%** in pipe capital costs alone.

The average cost to replace 12" water pipes in a "closed competition" is \$84 per foot, but with "open competition" the average cost is \$63 in pipe capital costs alone. **This is a savings of more than \$100,000 per mile**, enabling local governments to install 33% more miles of new pipe.

Furthermore, competition lowers costs for the existing material. Ductile iron pipe of the same diameter was found to be less costly in "open competition" cities than in "closed competition".

It is not just project costs that would be lowered with open competition, water rates could also see a reduction. Michigan State University reported that water rates have increased 137% since 2000. Allowing open competition, will lower the project costs and in turn help reduce water rates, which are typically used to pay for upgrades and fixes to the water system.

Bill Summary:

- Requires that all pipe materials in state taxpayer funded projects meet recognized standards and performance specifications for durability and health and safety.
- Prohibits pre-excluding pipe materials that meet those standards and specifications when soliciting bids for public works projects.
- Affirms the control and decision making of the project's engineer to select any acceptable pipe materials for a project.

We urge Michigan legislators to support HB 5723. By allowing open competition our state and our local communities will save money and be able to choose the right modern technologies for their projects.