

MAINTENANCE DELIVERY IN ONTARIO, CANADA



**Prepared for PIARC
Kananaskis, December 2004**

Overview



Objective:

To keep the provincial highway network in a state of good repair

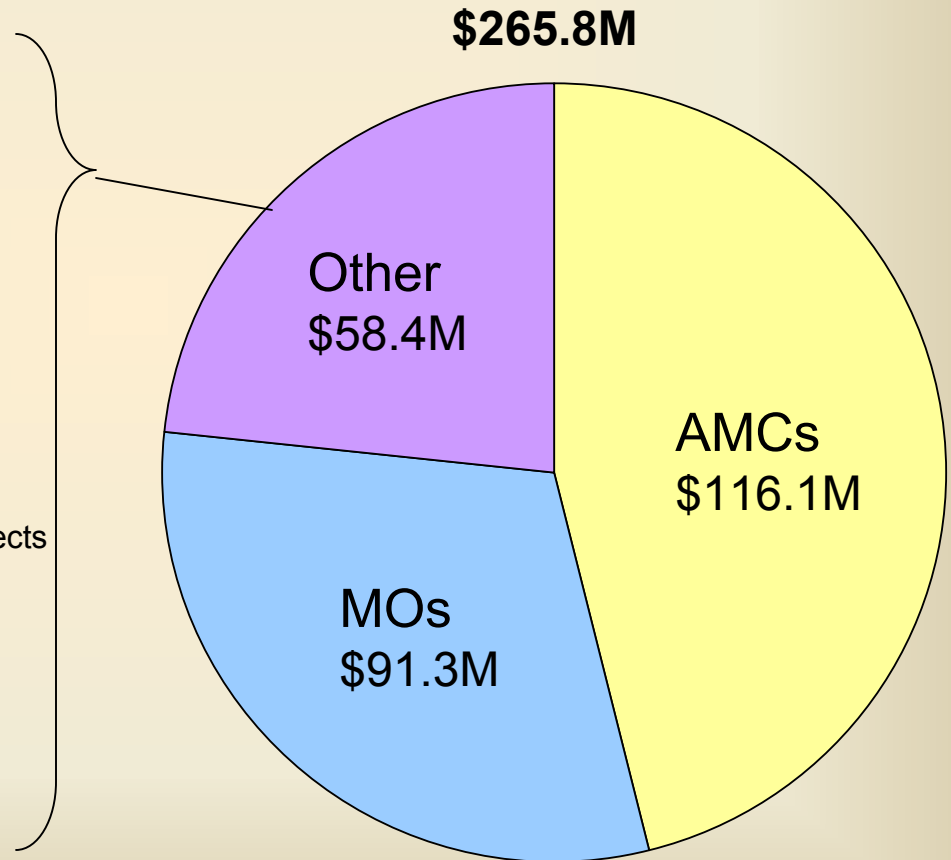
- **16,500 centreline-kms of highways**
- **2500 bridges**
- **2 tunnels**
- **29 remote airports**
- **8 ferry services**

Priorities:

- Safety
- Preservation of the infrastructure
- Efficient Delivery

2003-04 OPERATING BUDGET: Provincial Highways Management

<u>Other</u>	<u>\$(M)</u>
Auxiliary Services	19.7
Remote Airports	
Municipal Road Support	
Ferries	
Program Support	20.8
COB/ESB	
SSB	
Regional & District Administration	
Other Services	17.9
Insurance	
Well Claims	
Property Taxes	
Environmental Cleanup	
Railway Crossing Maintenance	
Special Projects (R&D)	
TOTAL	58.4



'MAINTENANCE' IN ONTARIO

Routine Maintenance

- Pothole repair
- Shoulder grading
- Repair guide rail and fences
- Sweeping and debris removal
- Traffic signal and illumination-scheduled maintenance and repair
- Tunnel Maintenance
- Bridge cleaning, scheduled maintenance (lift bridges) and minor repair
- Sign replacement
- Grass cutting and weed control
- Line Painting

Winter Maintenance

- Plowing, liquids, sanding and salting

Patrolling

- Visual Inspection
- At Least Daily in Winter

Emergency


- Response to collisions, spills

NOT INCLUDED:

Resurfacing

Reconstruction

Highway Maintenance - Outsourcing



Prior to 1996, about 50% of equipment was supplied by contractors

- **1996 Business Case**
 - Examined different methods of outsourcing and experiences of other jurisdictions
 - **Recommended**
 - **Out-source virtually all highway maintenance activities by 1999.**
 - **Incremental approach to implementation**
 - **Full scale trials of two delivery methods**

Highway Maintenance: Winter Maintenance



Resources


- **160 Patrol Yards**
- **353 Plows - 217 Spreaders - 437 Combos**
- **700,000 t of Sand (\$7 M) used for traction.**
- **625,000 t of Salt (\$39 M) used for de-icing.**

Mobilisation

- **N.Ont.: October - May.**
- **S.Ont.: November -April.**

Highway Maintenance:

Standards


- 
- Established by MTO
 - Comprehensive
 - Consistent with the Best Practices in North America
 - Monitoring by MTO staff
 - Failure to comply can mean financial penalties up to and including contract termination

Area Maintenance Contracts (AMC)

- ✓ **All summer and winter services within an area**
 - ✓ 370 – 1200 2-lane km
- ✓ **Managed by Contractor**
- ✓ **Contractor supplies all material, labour and equipment**
- ✓ **Vast Majority of work included in the Lump Sum Price**
 - ✓ **Contractor has first bid opportunity for additional work**
- ✓ **Initially 3+2 Years, Now 7-9 Years**
- ✓ **RFP process (Proposal quality factor applied to price)**
- ✓ **Risk sharing**
- ✓ **Contract details Performance Requirements**
- ✓ **Penalties for failure to perform**
- ✓ **MTO monitors contractors adherence to contract**

AMCs cover about 60% of Provincial Highways


Managed Outsourcing Contracts (MO)



- ✓ **All Summer and Winter Services**
- ✓ **MO areas range from 350 to 2400 2-lane kms**
- ✓ **Managed by MTO Staff**
- ✓ **MTO supplies materials**
- ✓ **Up to 5 Years**
- ✓ **Functional Contracts**
- ✓ **MTO Road Patrolling**
- ✓ **All Other Work by Contractors**
- ✓ **Penalties for failure to perform**

MOs cover the remaining 40% of Provincial Highways

Highway Maintenance - Outsourcing

- 
- 1996 MTO Business Plan
First AMC tendered in Chatham
 - 1997 AMC awards cancelled due to hwy transfers and high bids
First two MO's areas
 - 1998 Next AMC's tendered
 - 1999 Government approval to keep "Blended Approach" strategy of AMC and MO's
 - 2000 MTO Achieved 100% outsourcing goal in July
 - 2001 Deloitte & Touche retained to review costing
 - 2002 Commencement of second round of AMC tendering

Highway Maintenance - Outsourcing



Results: All objectives met


- Safety
- Quality
- \$ Savings

Deloitte and Touche Report:

- 12.45% overall
 - 98/99 and 99/00 Program savings \$11.2M
- Healthy, Competitive Industry

Round 2 (2001-2004)

AMC Contract Changes



Addition of work

- Pavement Marking
- Electrical

Duration

- All durations revised from 3-5 years to 5-9 years (contractors must bid 5 year duration, plus a longer duration)

Liquid Anti-icing

Winter Maintenance Technology

Round 2 (2001-2004)

Challenges

Road Liability Insurance

- Cost up 50-200%, availability decreasing
- Wording amendment to all contracts
- Some MO risk brought in-house if contractor in 'material' compliance with contract/laws

AMC Innovation Clause

- Contractors can propose service improvements
- Less usage than expected, and proposals require government expenditures
- Examining options

Round 2 (2001-2004)

AMC Results



Ontario has now retendered 14 of 16 AMCs:


Excellent Value for Money

4-7 Bidders per Contract

Less Contractors (9 to 6), still mix of medium and large contractors

Industry Partnering and Communication Continues

Round 2 - Managed Outsourcing Contracts (MOs)



Method of Payment

- To match contractors' risk, including their fixed and variable costs.
- MTO now using:
 - Day Bid for x days with Risk Sharing based on usage
 - Bid Daily Standby – Contract sets operating rate and contractor bids the remaining \$ they need per day

Trial Summer and Winter Contracts

- Three have been tendered with options to bid all items or major portions.

WHAT IS NEXT?



Performance measures:

Condition-based end result specifications.

Accommodation of Accrual Accounting

Need to separate 'Operating' and 'Capital' activities by cost in lump sum contracts

Introduction of:

Comprehensive Road Management Contracts (Term Contracts)?