

July 27, 2006

## **New highway maintenance contracts kick in on Aug. 1**

Edmonton... A new player has joined Alberta's highway maintenance industry while three existing contractors have either retained their current areas or picked up new ones.

"A healthy, competitive highway maintenance industry results in high standards of work and safer highways," said Ty Lund, Minister of Infrastructure and Transportation. "The competitive bidding process also ensures Albertans receive value for their tax dollars."

Ontario-based Carillion Canada Ltd. is the new contractor for five maintenance areas in northeastern Alberta, stretching from Highway 13 near Killam to north of Fort McMurray, and from the Saskatchewan border to just east of Edmonton. It's Carillion's first foray into the Alberta highway maintenance market and the contract for the five areas is worth nearly \$37 million per year for the next seven years.

Alberta Highway Services Ltd. picked up four new maintenance areas in west central Alberta, stretching from Banff National Park to Red Deer and from Airdrie to Wetaskiwin. The contract for the four areas is worth about \$21 million per year for the next six years. Alberta Highway Services also currently maintains highways from just south of Edmonton to Slave Lake.

Ledcor Alberta Ltd. retained three maintenance areas for another six years in east central Alberta. The areas stretch from east of Red Deer to the Saskatchewan border and from Drumheller to Bashaw. The renewed contract is worth over \$18 million per year.

Volker Stevin Contracting retained seven maintenance areas in southern Alberta. The five-year contract is worth \$46 million per year and covers all highways south of Calgary from the British Columbia border to the Saskatchewan border.

Maintenance contractors are responsible for work such as snow clearing and ice control, gravel road maintenance, pavement repair, crack filling, line painting, sign installation/maintenance, guard rail installation/repair, bridge maintenance, debris removal, and grass cutting in ditches and medians. The work is overseen by Alberta government inspectors to ensure it meets standards of quality and timeliness. The Alberta government is investing \$210 million for highway maintenance in 2006-07.

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### **Editors, please note:**

A map showing contractors and their areas is available at  
[http://www.infratrans.gov.ab.ca/Roads\\_%26\\_Highways/Maintenance\\_Contacts/index.htm](http://www.infratrans.gov.ab.ca/Roads_%26_Highways/Maintenance_Contacts/index.htm)  
**Backgrounder attached.**

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# Backgrounder

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## Questions and answers about highway maintenance

Why are several maintenance areas awarded to one contractor, rather than having competitive bidding for each area?

Government tenders the maintenance areas in "bundles" because it makes logistical sense and takes advantage of economies of scale. Having one contractor look after several contiguous maintenance areas offers lower prices to government and allows the contractor to provide a better level of service.

## Why do some of the contracts run for five years while others run for six or seven years?

Government staggered the lengths of this latest round of contracts to make the next round of bidding easier to administer. Dealing with bids on 19 maintenance areas at once, as was the case with this latest round, created administrative challenges for government and the industry.

## Has outsourcing highway maintenance to the private sector cost taxpayers more?

No. In fact, costs to government have been reduced by 15 to 20 per cent since outsourcing started in 1996. This is due to a number of factors including: better utilization of manpower, equipment and facilities; a competitive environment for contracting; and a reduction in contractor risk resulting from experience and familiarity with the work. In addition, government is no longer responsible for fixed costs such as equipment and maintenance yards. Government also received approximately \$100 million from selling these assets to the private sector since 1996.

## Have maintenance standards become lower since outsourcing?

No. The private contractors work to the same standards as government did when it maintained the highways. The contractors' work is overseen by government inspectors and contractors can be penalized if they fail to meet standards. In addition, contractors are continually seeking ways to improve their work through innovation, new technology, and improved equipment.

## What incentives do contractors have to provide good service if they have guaranteed contracts?

Contracts contain a small amount of "guaranteed" money to help contractors cover their fixed costs. The majority of the money is paid to contractors for actual work performed. If contractors aren't working, they aren't getting paid. So there is no incentive for them to leave their equipment in the shop.

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