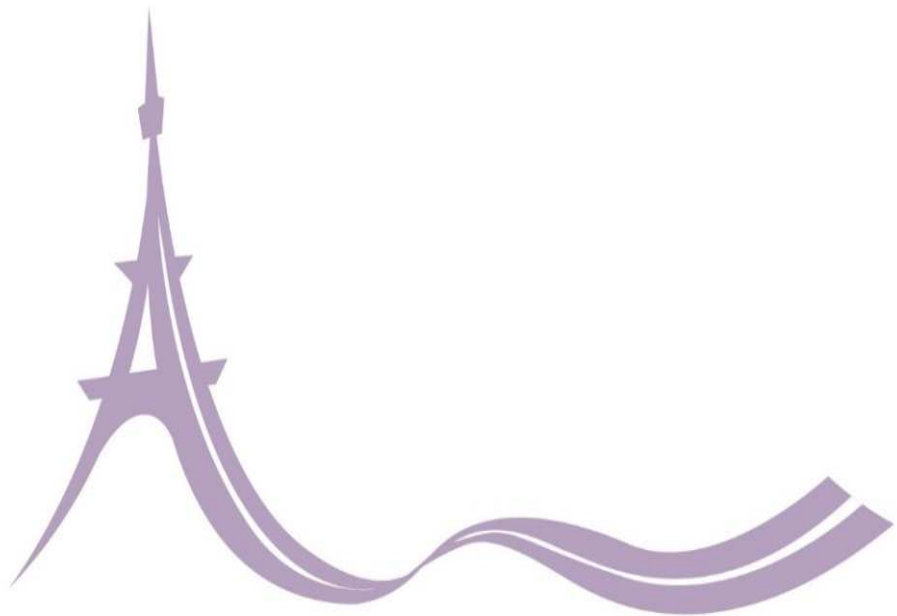


Multi-annual maintenance contracts in Finland



PAVEMENT PRESERVATION & RECYCLING SUMMIT

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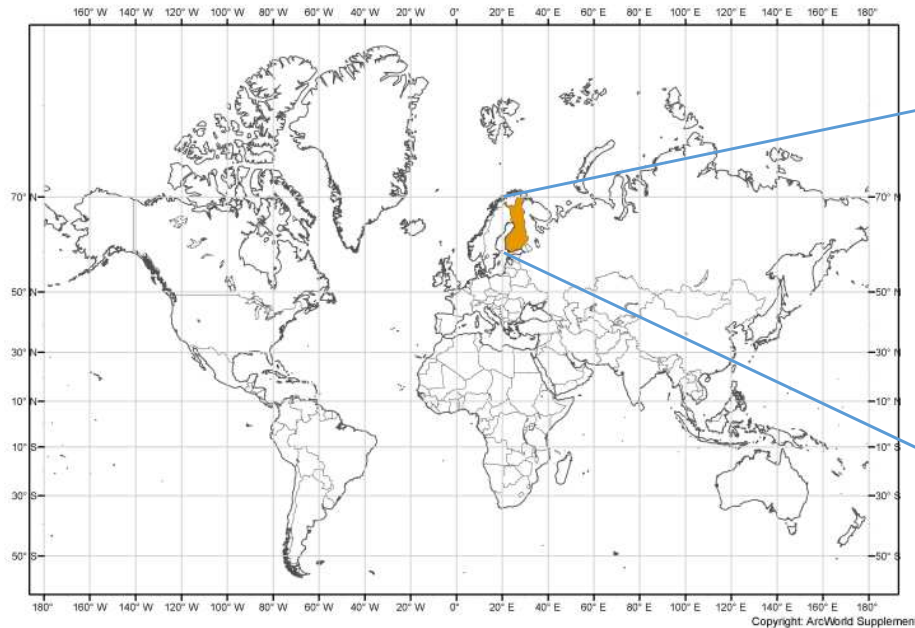
Finnish Transport Agency

Presentation content

- › Background information
- › Typical multi-annual maintenance contracts in Finland
- › Program Managed Performance Based Maintenance Contract (PBMC) model
- › Potential incentives in PBMC (Customer satisfaction and safety targets in PBMC)

BACKGROUND
INFORMATION

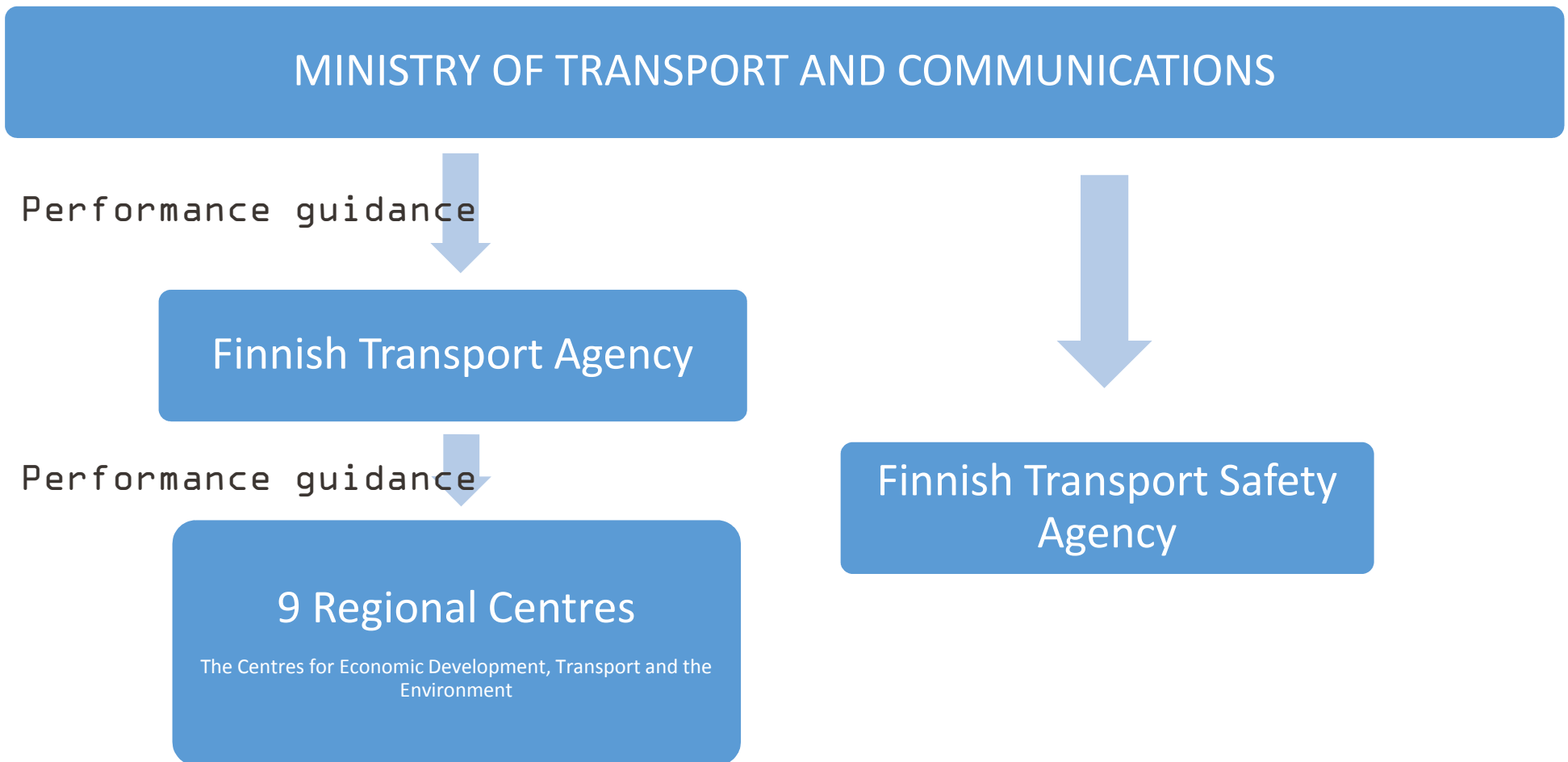
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Finland

- › 5.4 million inhabitants in an area of 338,432 km², most of whom live in towns or urban areas.
- › Roads are significant, because Finland has a large surface area but is sparsely populated. The public road network is 78000 km
- › Climate conditions differ in the various different parts of the country. Both costal and continental climate areas.

Transport Administration in Finland



Finnish Transport Agency (FTA)

- › January 2010 – merger of the Finnish Rail Administration, Finnish Road Administration and Finnish Maritime Administration into one organization known as the FTA.
- › Mission: The Finnish Transport Agency enables smooth, efficient and safe travel and transport
- › Vision 2025: Smart routes and intelligent traffic - for you.

ELY Centres - transport responsibilities (9 regions)

- › In 2010 - Partially composed from the nine Finnish Road Administration regional offices
- › Responsible for maintenance and functionality of the road transport assets, systems, and promote safety and mobility

TYPICAL
MULTI-ANNUAL
MAINTENANCE
CONTRACTS IN
FINLAND

| 2

Road Maintenance in Finland

- › Maintenance is contracted out entirely in the form of area contracts
- › Performance Based Maintenance Contracts (PBMCs)
- › Maintenance is financed by government budget
- › Transport Agency specify national policy, quality standards and guidelines of procurement process
- › Regional ELY Centres are clients doing the competitive biddings in practise and paying to contractors
- › Contractor organises work, chooses procedures and is also responsible for quality control
- › Client checks randomly the quality and audits contractor's processes

Area Maintenance Contracts

- › 81 contracts, 5 years duration
- › All publicly tendered
- › Quality Control (QC) by contractor
- › Winter Maintenance; snow plowing, prevention of slippery conditions or deicing, repairing uneven surfaces, and ensuring the visibility of traffic control equipment.
- › Summer Maintenance; maintaining gravel roads, traffic signs, vegetation control, grass and brush cutting, repairing surface defects that cause risks to traffic safety
- › In addition: continuous monitoring of the road system & other authoritative duties, like emergency response.

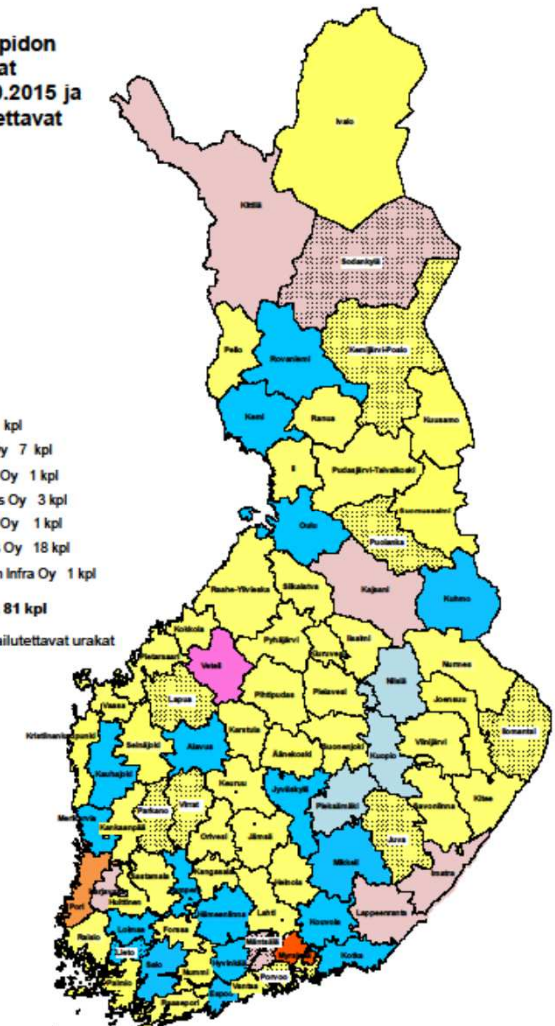
Hoidon ja ylläpidon alueurakoitsijat
1.10.2014-1.10.2015 ja
2015 kilpailutettavat urakat

Urakoitsija

	Destia Oy 50 kpl
	NCC Roads Oy 7 kpl
	Pahkakangas Oy 1 kpl
	Savon Kuljetus Oy 3 kpl
	TSE-Tienvieri Oy 1 kpl
	YIT Rakennus Oy 18 kpl
	Lemminkäinen Infra Oy 1 kpl

Urakoita yhteensä 81 kpl

 2015 kilpailutettavat urakat



Quality assurance in Finland

- › During the tendering phase:
 - Goal is to select a contractor that has all the capabilities required for producing high-quality maintenance
 - Classification of the complexity of maintenance contracts (basic/complex/extremely complex) and different minimum requirements to turnover and personnel
 - The action and quality plan
 - Qualitative evaluation of tenders
- › During the term of contract:
 - Reviews, site meetings and audits
 - Spot checks
 - The system for reporting on maintenance contracts
 - Other quality-assurance methods and channels

PROJECT MANAGED
PBMC MODEL | 3

- › Applicable to very demanding type contracts, where there needs flexibility.
- › Based upon principles and guidelines from the project management, alliance model, and traditional PBMC contracts.
- › Model is termed “Project Managed PBMC” because the services significantly deviate from traditional projects & includes procurement in the name of the Project Managed PBMC.
- › Using a target price concept.
- › Includes many of the typical routine and periodic maintenance services, management and administration services and all related procurement duties.
- › One pilot project ongoing, HUMPPA Espoo 2014 - 2019

Client's goals

- › Main goal is to provide services from a road users' perspective and provide flexibility for the implementation of these services.
- › Allow for variations during the contract period.
- › Better subcontracting management.
- › Promote innovation & development.
- › Reasonable risk sharing and better cooperation.
- › Management should be reasonable.
- › Amount of inspections should be lower.

Tender evaluation procedure

- › Using a competitive, negotiated method in two phases.
- › Award is based upon most overall economically beneficial.
- › Evaluation factors: 20 % for quality, 10 % of key personnel and 70 % for the price portion.
- › The quality assessment is evaluated from the submitted quality plans.
- › The key personnel is composed of the service and organizational capabilities evaluation and written examinations.
- › The price in the tender evaluation process is the “target price”

Contractor's payment mechanism

- › The “target price” is composed of all related procurement costs, management and administration, as well as the management service fee.
- › The management service fee includes overhead costs, risks and profit margin.
- › Contract management and administrative costs portion includes the contract management & administrative costs & office and information technology costs.
- › The procurement costs include all related purchases, like all related sub-contracting, service contracts, and construction and maintenance services.

POTENTIAL INCENTIVES IN PBMC

4

Customer satisfaction
and safety targets in
PBMC

Customer satisfaction and safety targets in PBMC

Objectives of the client :

- › Customer-oriented operations
- › Vision Zero approach to traffic safety
 - The transport system must be planned in such a manner that there should be any fatalities or became seriously injured in traffic.
- › Zero accident approach to occupational safety
 - To develop Finnish workplaces into world leaders in occupational safety matters
 - Influencing the way people think and act at the workplace so that accidents and injuries can be avoided.

Alcohol-lock requirement from 2011

All vehicles and machines used in road maintenance work must be fitted with Alcohol-locks that meets the voluntary standard (0.02 %)

Additional potential incentives tested

- › The first possible incentive is for the road user satisfaction and innovation, maximum of 8 % of the annual price.
- › Incentive for providing good maintenance services, maximum of 15 000 € per each contract year.
- › Incentive for worker and road user safety, maximum of 15 000 € per each contract year.
- › Incentive for safety accidents explained & evaluated, maximum of 20 000 € per each contract year.
- › Professional Drivers Observation Team, maximum of 6 000 € per month in winter time

CONCLUSION

- › All road maintenance contracts are publicly tendered and use PBMC-model in Finland
- › New models are needed. Project Managed PBMC is ongoing. More results will be published during the next years.
- › Incentive systems are wanted by contractors. Good ideas are always welcome.

An aerial photograph of a detailed model farm. The scene includes a blue truck with hay, a yellow tractor, a white van, a green tractor, and several cars. A sign with the number '9' is visible on the ground. The background shows a green field with trees and a white building.

Thank you!

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