



## **RE: HIGHWAY MAINTENANCE CONTRACT EXTENSIONS**

### **RATIONALE AND ANALYSIS**

**April 23, 2012**

*This confirms that the Ministry of Transportation and Infrastructure (the "Ministry") intends to provide an opportunity to the incumbent highway maintenance contractors (the "Contractors") to participate in a negotiation to extend the provincial highway maintenance agreements, providing the matters outlined in this document are satisfactorily addressed.*

The Ministry's considerations in this matter include securing:

- the public interest in maintaining highways that are reasonably safe for public passage;
- the interests of taxpayers in the achievement of significant fiscal savings to the Province;
- the provincial interest in ensuring that the highway maintenance agreements are fully performed in accordance with their terms, including the achievement of contracted service levels, response times and specifications; and
- the provincial interest in ensuring the uninterrupted provision of maintenance services under the highway maintenance agreements.

**Planning and Priorities Committee has reviewed and endorsed the submission (Attachment 1) in December 2011, to proceed with a discussion of five year extensions with the incumbent Contractors with the following considerations:**

- **No labour cost increases over the next 3 years**, however, Contractors are free to find savings or efficiencies, within the overall compensation package, to offer wage increases to its employees as long as performance standards are not compromised – Savings to be retained by government.
- **7 year term** (2 remaining years on existing contracts plus 5 more years).
- **7 year guaranteed no strike/work stoppage provisions**; this is achieved by the negotiation of collective agreements between each of the Contractors and its certified bargaining agent that cover the length of the extensions to the highway maintenance agreements.

- **Secure labour efficiencies** gained during the 2002 negotiations over the term of the extension.
- Modification to the contract price annual adjustment formula to better reflect industry inflationary costs.

**The Province's objective is to achieve immediate savings within the current budget cycle by negotiating a deal with the incumbent Contractors, whereby we would need to:**

- amend the terms of the remaining 2 - 3 years of the current highway maintenance agreements,
- secure additional savings from the Contractors, retroactively from the previous contract year gone by, and
- secure the continuation of savings over the five year period beyond the currently projected expiry dates of the highway maintenance agreements.

**To achieve the aforementioned objectives, the Province would implement the following strategy:**

- **No labour cost increases to the Contractors over the initial 3 years** (3 years net-zero labour increase - s13, s17  
s13 - the 3 year net-zero term would commence retroactively to each of the Contractor's contract anniversary date in 2011, whereby there will be a pay back by the contractor to the Province of a sum intended to reflect what would have been the case had the labour adjustment factor been "zero" in the previous year of the maintenance agreement. s13, s17  
s13
- **Secure labour efficiencies and subsequent savings** gained during the 2002 negotiations and enshrined in both the existing collective agreements between the Contractors and their certified bargaining agents, and negotiations of collective agreements concerning the term of the extension period - 7 years  
s13, s17
- **7 year guaranteed no strike/work stoppage provisions** – achieved by the negotiation of collective agreements between each of the Contractors and its certified bargaining agent that cover the length of the extensions to the highway maintenance agreements.
- **Modify the Annual Adjustment Factor** to better reflect appropriate inflationary costs of industry, which will cause only minor impact to anticipated total savings, which is reflected in the values noted above.

In 2002, the Ministry offered the Contractors and its bargaining agents the opportunity to secure one last round of labour contract succession if the parties could successfully negotiate aggressive labour efficiencies with savings to be passed on to the Province.

s13, s17

Additionally, in 2003/04, the Ministry undertook an extremely competitive contract tender process using an upset price contract model. This contract procurement model resulted in aggressive price bidding from the Contractors

s13, s17

s13, s17

Additionally, since 2003 the Province has benefited from a fixed annual contract price adjustment formula that has under represented industry inflationary costs. The fixed formula has resulted in cost escalation of only 20% since 2003/04; while other comparable industries, such as the highway paving and bridge construction sectors have experienced cost escalation of 40% or more over the same period.

The continuation of these significant savings from the 2002 and the 2003/04 contracting process.

s13, s17

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can only be achieved through the renegotiation of the last three years of the existing highway maintenance agreements with the Contractors. The agreement to extend the current maintenance agreements by a period of 5 years is integral to achieving successful negotiation of our stated objectives with the Contractors.

s13, s17

s13, s17

In analyzing the aforementioned needs of the Ministry and the Province, it is only through the renegotiation of the existing highway maintenance agreements that we can achieve this level of immediate and longer term combined savings.

This is an extremely high priority for the Ministry during a time of significant budget constraints for the current fiscal year and potentially, the next 4-5 fiscal years. The provincial budget objective is to be balanced in the 2013/14 fiscal year. The continuation of savings achieved in the extension of the highway maintenance agreements may be a



significant contributor to achieving budget objectives. The highway maintenance agreements are singularly the largest contract the provincial government has in-place.

**Additionally, labour peace/security and the uninterrupted continuity of service during the balance of the remaining contract and for the duration of the extended term can be assured through this process.**

The collective agreements that are currently in place have expired in 26 of 28 Service Areas in the Province and the Contractors are committed to negotiating collective agreements that cover the term of the extension thereby ensure "no strike/no work stoppage", as well as a "net zero" labour increase component as part of the proposed extension process.

The Contractors, along with their 2000 employees, provide vitally important maintenance services to more than 166 communities across British Columbia. The mandate for provision of uninterrupted maintenance services is very important to the Ministry and the Provincial Government overall.

The extension proposal offers the Province an opportunity to secure immediate savings, as well as significant additional savings and quality of service over the next 7 years while also ensuring labour peace over the same period.

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## Priorities & Planning Committee – Request for Decision

**Minister:** Hon. Blair Lekstrom, Minister of Transportation and Infrastructure

**Ministry:** Minister of Transportation and Infrastructure

**Date:** 20/11/2011

Ministry Document #:  
CAB 11/12

**Title:** Road & Bridge Maintenance Contract Extensions

**Issue:**

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### **Background / Context:**

Contracted road and bridge maintenance services are provided by 14 private BC based companies under 28 separate contract service areas, operating out of 140 communities / marshaling locations. They maintain more than 45,000 kilometres of road and 2,700 structures and employ approximately 2,000 people who provide 24 hours per day, seven days per week services including: plowing, sanding, patrolling, pavement patching, brushing, grading, dust control, bridge repairs, sign repairs, road monitoring, and emergency response.

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Provincial highway maintenance services were first privatized in 1988, 23 years ago. The current 10-year contracts are the 4<sup>th</sup> round of privatized contracts in BC.

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### **Labour Succession History:**

When highway maintenance services were privatized in 1988, the incoming contractors were required to provide labour successorship. The primary reasons for this were to ensure continuity of service by retaining the existing local employees across the Province, and to avoid substantial severance costs. This labour succession requirement has been retained for each of the subsequent rounds of maintenance contract re-tendering. The BCGEU represents the labour workforce in 26 of the 28 contract areas, with one being non-union and one being represented by the International Union of Operating Engineers.

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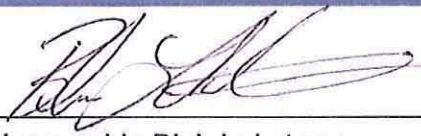
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Contact: Dave Duncan  
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Honourable Blair Lekstrom  
Minister of Transportation and  
Infrastructure

Nov 29/2011  
Date Signed

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## NEWS RELEASE

For Immediate Release  
2012TRAN0093-001549  
Oct. 15, 2012

Ministry of Transportation and Infrastructure

### **B.C. government, BCGEU and BCRB together keep highways safe**

VICTORIA – Provincial highway maintenance is one of B.C.'s most important services. The government of B.C., BC Road Builders & Heavy Construction Association and the B.C. Government and Service Employees' Union have reached agreements to ensure high-quality highway maintenance services through to 2018-19.

The Ministry of Transportation and Infrastructure has reached agreements with the BC Road Builders & Heavy Construction Association (BCRB) to extend 27 of the 28 existing provincial service area highway maintenance agreements for an additional five years, through to 2018-19.

The BCRB has reached labour agreements in all 27 service areas, 25 with the BCGEU, to help ensure labour certainty throughout the term of the extensions. These labour agreements cover more than 2,000 workers throughout B.C. and help provide certainty for the next seven years.

The BCGEU and Independent Operating Engineers have ratified collective agreements that will help instil certainty for workers over the next seven years. One service area chose not to participate in the extension process.

These agreements ensure the ongoing safe operation of the provincial highway network and help provide price certainty through to 2018-19. Travellers can rely on service levels that meet or exceed best practices throughout North America.

The ministry will continue to closely monitor the performance of all its road and bridge contractors and guarantee they are meeting or exceeding the service level requirements.

### **Quotes:**

#### **Minister of Transportation and Infrastructure Mary Polak –**

"We appreciate the work that our maintenance companies and their employees do. By extending these contracts, our B.C. maintenance companies can begin preparing for winter knowing they have job certainty for their 2,000 employees who work around the clock to keep our highways safe."

**B.C. Government and Service Employees' Union president Darryl Walker –**

“These contract extensions are good for the travelling public and good for our members. These extensions ensure that the most experienced highways workers in the province will be maintaining our roads and highways for years to come.”

**BC Road Builders & Heavy Construction Association president Jack Davidson –**

“With these contract extensions in place, our contractors can continue to invest in the equipment and resources necessary to keep our provincial highways and bridges maintained to safely move people and goods across the province. The services our highway maintenance contractors provide and the employment they create make an important economic contribution to all regions of British Columbia.”

**Quick Facts:**

- Contracted road and bridge maintenance services are provided by 14 private, B.C.-based companies under 28 separate contract service areas, operating out of 140 communities.
- B.C.'s maintenance contractors maintain more than 47,500 kilometres of road and 2,800 structures, and employ about 2,000 people who provide services 24 hours a day, seven days a week. The annual value of these service contracts is approximately \$370 million.

**Learn More:**

Follow the work of the Ministry of Transportation and Infrastructure online at: [www.tranbc.ca](http://www.tranbc.ca)

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Connect with the government of B.C. at: [www.gov.bc.ca/connect](http://www.gov.bc.ca/connect)