

**ALASKA STATE LEGISLATURE
JOINT WORKSESSION
SENATE TRANSPORTATION STANDING COMMITTEE
HOUSE TRANSPORTATION STANDING COMMITTEE**

June 9, 2005

10:01 a.m.

MEMBERS PRESENT

SENATE TRANSPORTATION

Senator Charlie Huggins, Chair
Senator John Cowdery, Vice Chair
Senator Gene Therriault

HOUSE TRANSPORTATION

Representative Jim Elkins, Co-Chair
Representative Carl Gatto, Co-Chair
Representative Bill Thomas
Representative Woodie Salmon
Representative Mark Neuman

MEMBERS ABSENT

SENATE TRANSPORTATION

Senator Albert Kookesh
Senator Hollis French

HOUSE TRANSPORTATION

Representative Vic Kohring
Representative Mary Kapsner

COMMITTEE CALENDAR

OVERVIEW:

Force Account Projects Briefing by Pat Davidson, Division of
Legislative Audit

Privatization of Transportation Services in British Columbia

Public Testimony by General Contractors, Builders and Others

Force Account Projects Presentation by DOT/PF

WITNESS REGISTER

PAT DAVIDSON

Division of Legislative Audit

PO Box 113300

Juneau AK 99811-3300

POSITION STATEMENT: Presented force account briefing.

TERRY FIKE, President

Alaska General Contractors Alaska, Inc. (AGC)

800 Schoon Street, Suite 100

Anchorage AK 99518

POSITION STATEMENT: Commented on privatization.

MARK O'BRIEN, Chief Contracts Officer

Department of Transportation &

Public Facilities

3132 Channel Dr.

Juneau, AK 99801-7898

POSITION STATEMENT: Presented force account briefing.

TONY JOHANSON

Great Northwest Inc.

Fairbanks AK

POSITION STATEMENT: Commented on privatization.

ROXANNA MARSHAL

Acme Fence Co.

Anchorage AK

POSITION STATEMENT: Commented on privatization.

DEBRA MASON

Thomas, Head and Greisen

Fairbanks AK

POSITION STATEMENT: Commented on privatization.

DENISE MICHAELS, Mayor

Nome AK

POSITION STATEMENT: Commented on privatization.

KYLE BROWN

Discovery Drilling

Anchorage AK

POSITION STATEMENT: Commented on privatization.

HAL INGALLS

Denali Drilling
Anchorage AK

POSITION STATEMENT: Commented on privatization.

DICK CATTANAUCH, Executive Director
Associated General Contractors of Alaska, Inc. (AGC)
8005 Schoon Street, Suite 100
Anchorage AK 99518

POSITION STATEMENT: Commented on privatization.

FRANK RICHARDS, State Maintenance Engineer
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Commented on privatization.

WALTON SMITH
St. Mary's AK

POSITION STATEMENT: Commented on privatization.

DAVE TRANTHAM, City Councilman
Bethel AK

POSITION STATEMENT: Commented on privatization.

DAN SALMON
Iliamna Lake Contractors
Anchorage AK

POSITION STATEMENT: Commented on privatization.

JOHN PERSELL, City Manager
St. Mary's AK

POSITION STATEMENT: Commented on privatization.

TED POPELY, Senate Majority Counsel
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Commented on privatization.

DAN DOYLE, Deputy Minister
Department of Transportation
British Columbia, Canada

POSITION STATEMENT: Commented on force accounts.

ACTION NARRATIVE

WORKSESSION: Force Account Projects Presentation and Briefing - Privatization of Transportation Services

CHAIR CHARLIE HUGGINS called the joint meeting of the Senate and House Transportation Standing Committees to order at [10:01:56 AM](#). Present were Senators Cowdery, Therriault and Chair Huggins, Representatives Thomas, Holm, Salmon, Co-Chairs Gatto and Elkins.

[10:18:32 AM](#)

PAT DAVIDSON, Division of Legislative Audit, said the Legislative Budget and Audit Committee requested an audit of the Department of Transportation and Public Facilities' (DOTPF) Force Account Projects. The objectives of the audit were to identify force account projects in excess of \$100,000 and to review Department of Transportation and Public Facilities' (DOTPF) policies and procedures regarding force accounts and determine if they conform to the state's procurement and hiring laws and goals, determine if the wages paid on force account jobs are equivalent to Davis Bacon wages, determine if the DOT's use of equipment and materials conform to the state's procurement requirements, and confirm that the public interest findings on force account jobs over \$100,000 have been approved by the chief contracts officers and that they have been sufficiently and adequately documented.

[10:20:01 AM](#)

MS. DAVIDSON said she determined that the force account projects are in compliance with state and federal laws and regulations governing force account work. They are also in compliance with the procurement requirements for the purchase of materials and the rental of equipment. A sample of state employee wages and benefits was compared to prevailing wages, typically referred to as Davis Bacon wages and she found that individual positions do vary, but overall the state pay and prevailing wages are generally equivalent.

[10:21:31 AM](#)

MS. DAVIDSON continued to brief the committee on the audit labeled "Department of Transportation and Public Facilities Force Account Projects, March 3, 2005, Audit Control Number 25-30019-05."

[10:36:33 AM](#)

TERRY FIKE, President, Associated General Contractors Alaska (AGC), said when a contractor bids a job, he includes the cost of office and field overheads and those costs were missing from

the state's cost in the audit. Those need to be added in to the costs of doing business.

MARK O'BRIEN, Chief Contracts Officer, Department of Transportation and Public Facilities (DOTPF), said home office costs are difficult for the state to determine and to allocate to this program.

[10:39:07 AM](#)

MR. FIKE said that contracts put in anywhere from 2 to 3 percent for the home office.

MR. O'BRIEN commented that it's just not enough to make a difference in terms of the total savings.

[10:41:41 AM](#)

SENATOR COWDERY asked if engineers' estimates were ever off.

MR. O'BRIEN replied that engineers' estimates have a range of error compared to the actual cost of the job. Some jobs will be 15 to 20 percent under the engineer's estimate especially for one that has a lot of competition.

MR. FIKE commented that engineer's estimates are sometimes done as much as a year in advance and market factors change.

[10:44:29 AM](#)

TONY JOHANSON, Great Northwest Inc., Fairbanks said his overhead runs six to seven percent because he doesn't do much subcontracting. Engineers' estimates are generally based on historical figures and the state's estimates don't take into consideration job-specific concerns. He also said that state force accounts result in a large amount of overtime.

[10:49:05 AM](#)

MR. O'BRIEN said he supports the audit recommendation to look at actuals at the end of the project and he will implement that immediately.

[10:50:24 AM](#)

REPRESENTATIVE ELKINS remarked that the recommendations impact small contractors more than the larger ones.

ROXANNA MARSHAL, Acme Fence Co., said she is a small company that makes guardrails and her overhead is more like 18 percent. She has a foreman and a yard to maintain. The state often buys guardrail from her and she has to add in overhead, which the

state doesn't do even though it has to pick up the material and store it. The state also doesn't have to show a profit and that is unfair to her.

[10:55:02 AM](#)

REPRESENTATIVE THOMAS asked how many jobs they are talking about over a five-year period.

[10:56:12 AM](#)

MS. DAVIDSON replied that the force account they were looking at is a very small piece of DOTPF's overall transportation programs and it didn't appear that the state hired extra people to do the work.

[11:01:05 AM](#)

SENATOR HUGGINS said he thought some common factors needed to be identified for an accurate comparison.

[11:02:07 AM](#)

SENATOR COWDERY commented that the state is about \$6 million in the hole from retirement funds and that private industry is more efficient.

[11:07:53 AM](#)

REPRESENTATIVE ELKINS asked if force accounts favor large companies versus smaller ones.

[11:09:22 AM](#)

MR. O'BRIEN answered that it depends on a company's bonding capacity. If the entire force account program for the northern region were put out as one package, it would not favor the smaller contractors. It probably comes down to how the work is packaged. For the smaller discreet items of work, the smaller contractors are affected.

[11:09:55 AM](#)

MR. FIKE said he doesn't want to be in competition with the state.

[11:13:37 AM](#)

SENATOR HUGGINS said the Legislature put hefty bucks into projects this year.

[11:14:19 AM](#)

REPRESENTATIVE THOMAS said the Community of Haines needed to have force accounts to keep people working year-round. Rural needs are different than urban.

[11:19:53 AM](#)

DEBRA MASON, Thomas, Head and Greisen, said the concern is that this analysis and its numbers can't be used to buy the department more equipment and justify hiring more people to do force account work, because they don't contain the full cost.

[11:20:13 AM](#)

DENISE MICHAELS, Mayor of Nome, said she is also Vice President of Community Services of Kougatok and would testify for it first.

We feel, here at Kougatok, that local force account construction works the best in our region. We just hope that the Senate Transportation Committee continues to support local force account construction in the State of Alaska and that Kougatok also works with the Northern Region Officer here on projects where we provide a match to the STIP - realizing that some projects can be done locally and some do have to be contracted out.

MS. MICHAELS said the City of Nome also uses local force account construction with its utilities and the City of Nome Public Works. It has a collective bargaining agreement with the Teamsters, which works really well. Their wages are very comparable.

SENATOR HUGGINS asked if she was talking about local work or state work.

MS. MICHAELS replied both.

[11:25:05 AM](#) Recess [11:39:38 AM](#)

[11:48:56 AM](#)

KYLE BROWN, Discovery Drilling, Anchorage, said he thought progress was being made on drilling issues. He also thought the role of government should be police protection and education, not contracting.

[11:59:58 AM](#)

HAL INGALLS, Denali Drilling, said both the State Chamber of Commerce and the Miners Association support privatization. Unions are also concerned about government doing construction jobs.

[12:06:42 PM](#)

REPRESENTATIVE THOMAS asked if the smaller jobs are combined, at what point does the job become too large for smaller contractors to bid on it.

MR. INGALLS answered that the projects could total probably around \$5 million, but the bond market goes up and down.

REPRESENTATIVE THOMAS commented that the Haines DOT has to have year-round work in order to maintain its crew.

[12:11:04 PM](#)

REPRESENTATIVE COWDERY commented that in his experience, obtaining bonding merely takes a lot of convincing and backing.

[12:13:02 PM](#)

DICK CATTANAUCH, Executive Director, Associated General Contractors (AGC), said privatization has been a priority for the last 10 years. He referenced comparison figures on page 32 of the audit and said, "If the state could do it that much cheaper, then they should be doing it all." He suggested that maybe the comparisons didn't really compare the same things. For a private company fixed costs continue, but the variables need to be looked at. A contractor has to cover his salary and all the benefits, as well.

[12:20:14 PM](#)

SENATOR COWDERY said when he worked with crews, they worked for eight or nine months a year and the key people stuck around for the rest of the year getting ready for next year.

[12:20:56 PM](#)

FRANK RICHARDS, State Maintenance Engineer, DOTPF, referenced a document called "The Briefing on Force Account Construction and Geotechnical Drilling" for some of his testimony. Last year, he said the Governor challenged the department to look at its equipment fleet and determine what is the right amount of vehicles to have as a state government. It was determined that the fleet needs to be reduced by 10 percent.

[12:22:25 PM](#)

SENATOR COWDERY asked if that referred to value or number of vehicles.

MR. RICHARDS replied number and snow removal equipment is exempted. He talked about renting equipment when needed.

[12:24:23 PM](#)

CHAIR HUGGINS said he needed to make sure that renting the equipment is reasonable if the rental company won't rent the equipment without an operator.

MR. RICHARDS said the department is concerned about the use of overtime and has put parameters in place so that it is limited.

[12:26:23 PM](#)

CHAIR HUGGINS asked if the state can't give comp time, but must pay overtime.

MR. RICHARDS replied that it has to do with the bargaining contract one is working under. Under the operators contract, Local 71, work done in overtime must be paid at the overtime rate. About 10 percent of their operating budget is contracted out for routine activities. In many instances they are small contracts.

MR. RICHARDS said that maintenance of newly built DOTPF facilities is placing a burden on the department and force account practices with federal highway funds allow the state to fill the gap by contracting to a great extent. He uses state forces for small jobs where it's beneficial to provide for a safe transportation system and good drainage. The force accounts are just small slivers of the department's projected \$800 million 2005 budget - about two percent of its total capital program.

[12:32:46 PM](#)

MR. RICHARDS said he let a contract for roadwork on the Alaska Highway between Northway and the border to compare private and public sector on like work. Originally, it was going to be done by the state that estimated it at \$1.2 million. The bids were received yesterday; there was one contractor, Great Northwest, and it came in at \$1.43 million.

[12:33:49 PM](#)

SENATOR COWDERY asked if he would have to comply with the bonding requirement.

MR. RICHARDSON replied yes. He also reiterated that accountants have been brought in to distinguish cost details between AGC and the department, because they work so closely.

[12:38:14 PM](#)

WALTON SMITH, former City Manager for St. Mary's, said he is currently working in Anchorage for a for-profit private contractor. He was very supportive of force account work in the Bush. He related how he advocated for a force account road at St. Mary's for two years before the decision was made to do it. He said the project was successful and he can demonstrate that it had a horrendously good impact on the local economy. The previous three years of fishing had been poor and when a majority of the work was done, there were no commercial fishing openings. At the same time that other villages were complaining about no money and no revenues, etc. more sales taxes were paid than ever before. People who had gotten delinquent paid off their bills for water and sewer. The alternative to doing that would have been laying off people, reducing services and probably the city being delinquent in bill paying.

MR. SMITH said that a \$300,000 boardwalk job, if it had been contracted out, would have cost \$500,000 to \$600,000. It's not a matter of efficiency, but rather the extra costs associated with mobilization and demobilization, especially in rural areas. He really felt that the efficiencies they are talking about are quite different. Bush Alaska is analogous to development in a third world country. He also mentioned that he trained a lot of people in the trades who were able to move on to private jobs and this is one of the entry points for development of the Alaska workforce that will work on the next development push. He was discouraged because he couldn't match the pay his workers could get in the private sector.

He summarized that they can eventually find out that one system works better than the other or maybe that they are equal, but he thought it was a nickel dime-issue. Philosophically, in the Bush economy, they are talking about economic development, the ability to train people, to raise the standard of living, to export people into the urban market and probably to increase the quantity and quality of the workforce in Alaska. He said he did it at a lower cost and thought it could continue to be done at a lower cost. He also thought that limiting contracts to above \$200,000 could make development in the Bush become prohibitively expensive. He related that DOTPF had special training funds that he used when he was city manager to train people.

[12:52:14 PM](#)

DAVE TRANTHAM, Bethel City Council, asked the Legislature to continue supporting force accounting. It helps build local economy, provides training and education and builds a workforce for the future in the Bush.

[12:57:29 PM](#)

DAN SALMON, Iliamna Lake Contractors, had great concern with the fact the number of force accounts is very insignificant and he questioned whether the state had an equivalent level of bonding and productivity compared to the private sector. He realized that the state has different policies that somehow have to be factored into comparisons.

He described the Pile Bay Road incident, which turned into a disaster when a sole source contract was farmed out to the largest company in the state, but it was 40 miles away from Iliamna. The project didn't provide any jobs for Iliamna residents who had terrible fishing year. Many of the people who worked on the project were from out of state. He was told to not worry about it because it was only a \$250,000 project, but he found out later that ran well over \$1 million.

It's difficult to get Denali training funds, get a workforce, have local people involved when you can't even bid on a contract. Now I understand that possible improvements to that road may be being considered to be done force account by state employees. If that happens, and it's determined that we're rural... we might not be included on that bidding, as well, and we may sit, again, in the Iliamna region unable to contract. When I was able to bid on a project, I beat out four other contractors and rebuilt the BLM airstrip in Anchorage....

He suggested using an on-line auction to get rid of state equipment.

[1:04:25 PM](#)

JOHN PERSELL, City Manager, City of St. Mary's, supported Walton Smith's testimony in support of continued use of force account projects. He also fully agreed with Mr. Salmon's comments saying, "In many ways force accounting is the life blood for economic development and improvement of the economic base of rural Alaska Bush communities."

[1:10:11 PM](#)

MR. SALMON asked what mechanism the DOTPF would use to decide if a project is rural or not. He urged the committee to make sure the private sector isn't excluded by whatever process is decided upon.

[1:14:38 PM](#) Recess [1:30:45 PM](#)

SENATOR COWDERY and TED POPELY, Senate Majority Counsel, discussed privatization in Canada. Civil liability issues would have to be looked at closely.

[1:37:23 PM](#)

DAN DOYLE, Deputy Minister of Transportation for the Canadian Province of British Columbia (BC). He said British Columbia had over 8,000 employees in its Ministry of Transportation when he first started and today there are around 1,100. He uses lump sum contracts that are performance based.

SENATOR COWDERY asked him what his biggest obstacle was and how did the unions feel about it.

MR. DOYLE replied that the unions objected at first and had a two-week strike, but since then, because the employees who went over to the contractors kept their union, it hasn't been much of an issue. Some contractors deunionized and they have been successful, as well. The first contracts that were let were for three years in 1988 and about a year ago another contract was let for 10 years. That is so the investment in equipment could be amortized and the province gets a much better value over the long-term on that.

MR. CATTANAUCH asked if the 10-year contract has any adjustments for inflation or if the contractor is totally at risk for cost overruns.

MR. DOYLE replied that they have a COLA clause, which is based on something like the non-residential construction index for the greater Vancouver area.

MR. CATTANAUCH asked if a contractor's risk is related to the amount of snow in the winter and maintenance in the off-season.

MR. DOYLE replied that is right and added that road conditions must be kept to a certain standard.

MR. CATTANAUCH asked if resurfacing the roads is his responsibility or is that contracted.

MR. DOYLE replied that the department kept that responsibility, but didn't guarantee the contractor that they would keep to any schedule since that depends on voter approval and legislative appropriation.

MR. CATTANAUCH said Alaska has problem with signing long-term contracts that commit the state to a certain amount of money over a period of time and asked if he has anything similar to that in BC.

MR. DOYLE replied that the government looked long and hard at the 10-year proposals, but it made economic sense and they made a substantial savings by going to longer-term contracts.

MR. CATTANAUCH asked if there was a lot of competition.

MR. DOYLE replied that since 1988, they have had three or four rebids and have found that there is a huge change out in which contractor has which area. The province is divided up into 26 areas. The competition comes from that rather than from new entrants into the field. They haven't been that successful at promoting competition.

MR. CATTANAUCH asked how many contractors are doing the work.

MR. DOYLE replied about 15 contractors. Any one contractor can have up to four areas.

REPRESENTATIVE ELKINS wanted to know more about the Canadian ferry system.

[1:45:23 PM](#)

MR. DOYLE explained there are two ferry systems in British Columbia - one is an inland system that runs across lakes and rivers in the Interior and the other is the British Columbia Ferry system that is a corporation that runs along the coastal routes. About two years ago the government wanted it run like a private business. The challenge that corporation had over time was that every time the fares needed to be increased it became a government decision. It is now a regulated business operated by the private sector. Right now the government has the only share in the company, but it operates with a private sector board of directors. Significant changes were made including in its procurement policy. It is now procuring on the basis of worldwide competition, which caused a lot of problems to begin with from local shipyards, but now they are sharpening their pencils and becoming more competitive. The service levels have been great.

REPRESENTATIVE GATTO asked how non-performance is handled.

MR. DOYLE replied that warning systems are built into their contracts ranging from going out to do the work themselves to dismissing the contractor. Since 1988, four contractors were replaced in the middle of winter and still the roads were still kept open. They have survived each and every one of those situations by having contingency plans and well-bonded contractors.

[1:48:22 PM](#)

SENATOR HUGGINS asked how his initial analysis of cost savings compared to how it actually turned out.

MR. DOYLE replied that he wasn't part of the government when the decision to privatize was implemented. There was a general sense, without a lot of due diligence, that it would save money. The government in 1991 changed to anti-privatization and its analysis showed that it would cost more. But it is doing very well now and enough competition has been engendered to keep prices reasonable.

SENATOR HUGGINS asked if there were categories where it was thought money could be saved, but it didn't work out that way.

MR. DOYLE answered that privatizing part of their electrical system - streetlights and traffic lights - didn't work out that well. A better model was determined through financial due diligence and that system is now back in the private sector and doing well.

SENATOR HUGGINS asked what happens when a contractor is dismissed.

MR. DOYLE replied that at first the government kept the equipment it already owned and leased it to the contractors who were obliged to take the lease on it. After realizing that the process was working well, they let the contractors buy their own equipment. If a contractor is "turffed" in the middle of a contract because of financial difficulties, he is willing to sign a deal with the person who is taking over. The person who is taking over generally gets a good deal, because the other contractor needs the money. For perspective he said his province does \$350 million to \$400 million CA per year in this business.

SENATOR HUGGINS asked how he dealt with government cycles in terms of one regime supporting privatization and the next not.

MR. DOYLE replied that to some extent they dealt with that by not having contracts at election time. The regime that didn't believe in it at first has said it is staying with the privatized model after examining it.

[1:53:41 PM](#)

MR. RICHARDS asked if the contractor's level of service has increased as they gain experience.

MR. DOYLE replied, in his opinion, roads are in much better shape. Finally they have maintenance standards and programs that insure roads are rehabilitated at the right times. Contractors have been very good about meeting the standards. Another important policy that was established in 1988 said the employees had to go with the contractors, because it was their view that the employees were the ones who knew how to maintain the roads. That's one of the wisest things they have done.

MR. RICHARDS said other provinces and other countries that are migrating towards privatization are coming up with various levels of cost savings. He asked what savings the BC model projected.

MR. DOYLE replied the only empirical data he had was from the 1991 administration and the lawyer for the union that opposed the privatization became the commissioner to examine the issue. They are back to 1996 prices without reducing the standards. The 10-year contracts helped that.

MR. RICHARDS said other governments have said it's important to know what assets you have and their condition so you're not going to ask the contractor to perform at a higher level of service than money is buying now.

MR. DOYLE responded that is really good advice. He did not want to build a contract without enough money to perform and that has been achieved.

[2:00:04 PM](#)

SENATOR HUGGINS asked him to describe how their design work and quality control changed when they privatized.

MR. DOYLE explained that the department had been moving toward private design work for the highway system since the 1980s. For a long time, it was quasi-private in the sense that their engineers lived with the consultants and took most of the responsibility for whatever was happening. The consultants

didn't have to pay for their errors, but in 1988 they moved to a quality management system. That was a major change. Every consultant gets evaluated at the end of his design assignment. If they don't do well, they drop on the list or get taken off.

2:01:40 PM

SENATOR COWDERY asked if his engineers went to the private sector when BC privatized.

MR. DOYLE replied that the privatization of design happened slowly enough that people were able to go back and forth. A lot of road bridge managers went to work for the private companies in 1988, which is another reason it was successful. The government also allowed for employee-owned companies to operate. Ten out of the 26 areas are run by employee-owned companies that were given a five-percent advantage over everybody else in the bidding process. That helped with the transition. All those companies are still operating and have been on an equal basis with other companies in the private sector since 1991.

2:02:59 PM

MR. BROWN, Discovery Drilling, asked if BC was a leader in Canada in terms of privatization in other provinces.

MR. DOYLE replied that BC has been a leader. Alberta moved to unit price contracts, but the vast majority of provinces still do their own road maintenance.

SENATOR COWDERY asked if lump sum snow removal included design and engineering of new projects year round.

MR. DOYLE replied that they let a year-round contract for the maintenance, but it doesn't have all the design.

REPRESENTATIVE THOMAS asked if they use all-inclusive contracting.

MR. DOYLE replied that they hadn't gone that far, yet. He wanted to learn from other jurisdictions that had done it first.

MR. THOMAS if they have separate contracts for landslides.

MR. DOYLE replied that contractors are responsible for keeping culverts clean so the roads don't wash out, but they are not expected to take care of the big landslides and washouts. The ministry has carefully considered this matter so it gets the best value for its money overall.

[2:08:04 PM](#)

REPRESENTATIVE GATTO asked if their funding is dependent on federal dollars.

MR. DOYLE replied that the federal government gives them money for maintenance and rehabilitation.

[2:08:38 PM](#)

CHAIR HUGGINS asked if the ministry has to reallocate monies when avalanches occur.

MR. DOYLE answered that the department goes into each year with a contingency fund of \$10 million to \$20 million. If more funding is needed, that would come out of their capital projects.

MR. CATTANAUCH asked what functions of design and maintenance do the department's 1,100 employees have.

MR. DOYLE replied quality assurance and control of products. Other than looking after the highway system, they are responsible for transportation policy from ports to airlines and trucking. The vast majority are involved in quality control.

MR. CATTANAUCH asked if most of their design work is done in the private sector.

[2:11:01 PM](#)

MR. DOYLE replied that it's close to 90 percent.

SENATOR COWDERY asked if the big seaports and airports are under DOT.

MR. DOYLE replied that the big seaports are under the jurisdiction of Ottawa and airports have largely been privatized. The department also has a substantial capital program of \$10 billion over 10 years and that requires a lot of management.

[2:12:53 PM](#)

SENATOR THERRIAULT asked if snow removal contractors have secondary insurance to handle an excessively heavy snow year.

MR. DOYLE replied that they don't get extra insurance. The people in this business are very experienced at it and seem to do just fine.

[2:13:50 PM](#)

SENATOR THERRIAULT asked if it is up to the contractors to secure snow dumps.

MR. DOYLE replied that they let the contractors do that.

[2:14:24 PM](#)

SENATOR COWDERY asked how big Prince George is.

MR. DOYLE replied that the contracts are generally in the 2,000 to 3,500 lineal miles of road.

SENATOR COWDERY asked where the BC funding for roads comes from.

MR. DOYLE replied that BC has a dedicated fuel tax that goes straight into the department's coffers and about \$700 million is collected annually.

MR. POPELY said that critics of privatization in highway maintenance facilities often point to other areas where it hasn't been as successful as in BC. He asked what his general advice to the committee is on major pitfalls to avoid in moving Alaska towards privatization of its highway contracts.

[2:17:11 PM](#)

MR. DOYLE replied that early on there was a philosophical disagreement with a lot of citizens over the concept of a government service being provided by the private sector. The one thing they guaranteed to the citizens was the quality and level of service. They spent a lot of energy early on clarifying and enforcing it. They made sure that the contractors knew that they would be the front desk for citizens' concerns so they could follow up. The ministry would be checking in the background.

Secondly, they were very careful early on to show citizens they were getting quality roads based on the premise that you have to prove that it works by showing people the facts. He thought having "before and after" business cases would help in that regard. He said the road service is markedly better now than it was before privatization.

[2:19:26 PM](#)

SENATOR COWDERY asked how the election went after privatization.

MR. DOYLE replied that it wasn't an issue in the election.

2:20:01 PM

SENATOR HUGGINS thanked him and others for their testimony and adjourned the meeting at 2:28:36 PM.