Outsourcing:
Experiences from Finland

Vesa Männistö, Finnish Transport Agency
The Finnish Railway Network in Figures

- 5,950 km of operated railway lines
- 3,250 km of electrified railway lines
- 2,900 level crossings
- 2,350 railway bridges and 880 bridges over the railway line
- 5,380 switches
- Annual budget 390 mill. Euros (excluding new development)
- 12 maintenance contract areas
- 630 employees (roads and waterways included)
Why outsourcing – some key drivers

▲ Separation of “production from administration”
▲ State objective to downsize public sector
▲ International experiences (e.g. Australia, NZ)
▲ Good experiences from the road sector
  ▲ Savings up to 25 percent in routine maintenance contracts
▲ Trend is towards bigger, longer and more complex contracts
▲ Better effectiveness and innovativeness of the private sector

▲ Outsourcing of railway asset management was started in 1995

Source: www.ukandoo.com
What has been outsourced – practically everything

✓ All works: from routine maintenance to new construction
✓ All planning and design (already in 1990s)
✓ Traffic management (to a 100% state-owned company)
✓ Management and supervision of contracts, including parts of financial management
✓ Measurements and data management
✓ Research and development

✓ Experiences are generally speaking positive
Outsourcing of maintenance

**Roads**
- Maintenance area contracts (80): performance-based, 5 - 7 years
- Pavements and bridge repairs, general construction contract, client’s plan
- All maintenance work contracts put out to tender from 2005

**Railways**
- Maintenance: routine maintenance contracts (12), 5 + 2 years
- Additional works and replacement investments: general contracts
- All maintenance work contracts put out to tender from 2013

**Waterways**
- Maintenance and operation of canals: maintenance area contracts (16 + 8), 3 - 5 years
- Structural repairs and maintenance dredging: general construction contracts
- All maintenance work contracts put out to tender from 2013
Example of a long-term procurement plan

Long-term plan is communicated to the market through our www-pages
What has been outsourced of asset management?

✓ Almost all measurements and data management
✓ Planning of daily maintenance
✓ Preparation of several asset strategies (track, bridges, culverts, level crossings, switches)
✓ Parts of works programming (switches, track)

✓ Experiences are positive and negative
The most difficult challenges in outsourcing are …

✓ Railway infrastructure market is very thin in Finland
✓ International companies are not interested in a remote market

Two domestic contractors share the market in practice
Development needed in outsourcing

✓ The first goal is to get new relevant actors to the market
✓ Development of tendering of railway maintenance services => The FTA has formed a working group with the Infra Contractors Association
✓ Quality promises in performance based contracts are not always fulfilled - > Quality assessment system is being reformed
✓ A proper maintenance management system is needed
✓ FTA policies in asset management should be better obeyed by consultants
Contractors’ on-line reporting
Daily maintenance of switches
Outsourcing and ISO55001

- Outsourcing policy
- Outsourcing strategy and requirements
- Business cases, risk assessments and contractual assurance arrangements
- Contract monitoring processes, metrics and incentive/penalty mechanisms
- Procurement policy

- Place of 3rd party in resourcing strategy
- Examples of risk assessment for outsourcing
Lessons learnt in Finland

- Outsourcing executed in a proper way will decrease costs in the long-run
- Some activities may not be outsourced
- Standardisation of procurement documents and evaluation process are essential
- Smaller and simpler contracts are needed to get new actors to the market
- Supervision and monitoring of contracts is a big and difficult issue
- Outsourcing of asset management might lead to loss of knowledge and decision power
However, there would be no way to back off

- No possibilities to expand public sector
- Benefits of outsourcing are higher than costs/risks
- New contracting methods, e.g. alliancing reduce current problems
- Digitalisation of monitoring will get a better grip on contractors

- We are not too far from ISO55001 – why to back off?