Outsourcing experiences from Sweden
Famous Swedes everywhere
Our tasks

• Responsibility for the long-term planning of the traffic system for road and rail transport, as well as shipping and aviation

• Responsibility for the construction, operation and maintenance of State roads and railways

• Procuring inter-regional public transportation solutions in all of Sweden
Brief data: Trafikverket

The Board
Director-General
Lena Erixon

6 800 employees, 150 occupations

Business volume in 2016
5 400 000 000 €

Investments € 2,35 billion
O&M and traffic control € 2,2 billion
Miscellaneous € 1,1 billion

Approximately 70 percentage of the business volume is procured on an open market (don’t include management consultants etc.)
Sweden’s Roads and Railways

- 12 900 km main tracks (89% electrified, 15% double track)
- 560 stations for embarking and disembarking
- 11 400 switches, whereof 7500 in main tracks
- 98 400 km of State roads
- 16 000 bridges (3 781 railway bridges)
- 76 100 km of private roads with a state subsidy
- 41 ferry lines
- 41 000 km of municipal streets and roads

State roads:
- 98 400 km
- 41 000 km of municipal streets and roads

Municipal streets and roads:
- 41 000 km
Maintenance procurement under competitive conditions – a short overview

What we wanted to achieve when we started procuring in 2001:

- Faster improvement of the efficiency of both buyers and contractors
- Cost-effective maintenance
- All maintenance was to be procured under competitive conditions
- We needed a supplier market that did not exist!
Maintenance procurement under competitive conditions

Procurement under competitive conditions has meant cheaper maintenance with retained safety and improved quality.

Procurement of Railway maintenance has resulted in a 11% decrease in expenditure.

(source: VTI Odolinski)
Procurement strategy – maintenance contracts

**Today:** The contractor is responsible for maintaining the existing function and current status of the infrastructure

**Including “all maintenance”:**
- Inspections
- Correction of inspection remarks
- Corrective maintenance
- Winter services
- Preventive maintenance
- Smaller renewals

**In-house:** Minimum requirements regarding maintenance plans, management & supervision of contracts
Quick facts: Maintenance procurement

• Mainly **fixed price/fixed scope**, some functional requirements/performance based

• **35** contracts, each covering **120 – 1000 km track**

• Contract period **5 years** with maximum of 2 year extension option

• **4** established suppliers

• **~ 450 mn €** maintenance,  
  **~200 mn €** renewals
Current challenges

Few suppliers
- Young market, maintenance fully outsourced 2013
- Entry barriers, large investments necessary

Lack of time in track
- Traffic increases
- Deteriorating status/condition of infrastructure

Technical regulations
- Detailed
- Changes in regulations (demands on contractors)

Political discussions
- is maintenance not suitable for procurement, in-house?
Passenger transport

Billion passenger-kilometres on the railways

More than a 75% increase since 1988

Source: Trafikanalys
Railway density

A lot of line km per million people. A large country and few people to pay for necessary maintenance via taxes....

=> A less profitable country for suppliers of railway maintenance?
Comparison to European IMs, 2008

Maintenance- and renewal expenditure per track km, European IMs (1000 €/trackkm)

Source: Trafikverkets Annual report 2010
Is there an alternative to outsourcing?

The organisation of railway maintenance has been investigated by the Swedish government (report in 2/2017)

Three functions under investigation
1. Infrastructure condition and contract monitoring
2. Evaluation of the possibility of partial execution of railway maintenance as an in-house service
3. Management of snow removal and rescue issues
Supervision of condition of infrastructure by manual methods should preferably be executed as an in-house service

- Manual safety inspections and automated condition measurement should continue to be outsourced
- Would lead to better review of execution as well as knowledge of undertaken implementation
- Additional costs of 5 M Euros during a transition period
Findings in #2 (maintenance)

- Would increase internal competence, ensure sustainable in-house competency and enable testing of new methods
- At least 2-4 out of the 35 regions need to be included to be able to make reliable comparison to outsourced contracts
- It will take two years to get started and up to 10 years before results can be assessed
- Start-up costs 5 to 10 M Euros

No decision regarding implementation of pilots yet!
Common Conclusions
Common Lessons learnt – Similarities Finland Sweden

- Railway maintenance and other related tasks are widely outsourced
- Decreased costs - Increased productivity & efficiency
- Entry barriers: language, machinery, low density railway, too small procurement objects
- Ways to introduce new contractors to market: smaller contracts, local partners, via enhancement projects
- Loss of asset knowledge must be ensured: Asset Management Information Systems, supervision and monitoring of contracts, follow up of performed works
  - Contract requirements aligned with Asset strategies
- Outsourced functions can not easily be taken back to the administration
- Outsourcing of some core activities within Asset Management should be considered carefully.
- Quality control is an issue in both countries
Common Lessons learnt – Differences Finland Sweden

- Outsourcing of "everything" in Finland – Planning, management of contracts, technical regulations

- Contract monitoring in-house in Trafikverket from 2017

- A common Maintenance Management IT-System to be used by maintenance contractors in Sweden
  - 70 percentage of the maintenance volume to be covered 2021

AND FINALLY:

- Finland and Sweden are still convinced that outsourcing is a way to be more efficient.
Outsourcing and ISO55001
- Trafikverket Sweden

Recommended evidence in the UIC Railway Application Guide

- Outsourcing policy
- Outsourcing strategy and requirements
- Business cases, risk assessments and contractual assurance arrangements for outsourcing
- Contract monitoring processes, metrics and incentive/penalty mechanisms
- Evidence of application within specific contracts
- Procurement policy
- Place of 3rd party in resourcing strategy
- Examples of risk assessment for outsourcing.
Outsourcing: 

1. Requirements aligned to Asset Management Objectives

2. Contracts with maintenance programs based on LCC-optimisation from Asset Strategies

3. Working orders within the Maintenance Management System

Outsourcing – New impact through the implementation of an Asset Management System
Outsourcing – New impact through the implementation of an Asset Management System

A lot of development projects were ongoing before the AM Policy:

- The Framework helps us to coordinate
- And the AM Policy provides the basis for alignment.
An Asset Management System with an aligned Maintenance Management IT-system will help to fulfil the requirements in ISO55001.
Thank you!