Herbicide usage and contracting

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Introduction

The management of public land assets has undergone fundamental change as part of an overall review of state and local government. In part, change has been forced upon institutions due to financial constraints but also as a result of a perception that many in-house services are not cost efficient compared with externally contracted companies.

While reform within local government has been relatively well publicized and structured through legislated processes such as Compulsory Competitive Tendering and council amalgamations, the general public may have little understanding of service delivery changes within state government bodies. The only suggestion of change at the state level may be the corporate insignia on the uniform of the service provider.

Weed control or more generally land management, often forms a small component of the engineering maintenance programme. Within the Public Transport Corporation (PTC), the Infrastructure Division is responsible for maintenance of the track and management of the rail reserve. As such, weed control may form a compact unit that can be easily removed and contracted-out, or due to its close integration within the overall maintenance role be difficult to efficiently separate.

The strategic impact of change will be felt not only within government bodies as they assess alternative strategies and staffing levels. Contractors need to understand the implications such changes have for their businesses. Those organizations that do not adequately address the changes may ultimately mismanage the transition, resulting in lost opportunities and possibly increased cost.

Setting the scene

PTC vegetation management

Herbicide usage within the PTC is one of a number of techniques used in the overall management of the reserve. As such it is worth broadening the topic to include the full range of land management options being considered. It is possible that contractors may ultimately be asked to take full responsibility for a significant parcel of land or corridor. Only those companies displaying sufficient expertise in general land management rather than a single discipline (such as spraying) are likely to be invited or pre-qualify to tender.

Any number of vegetation management techniques are available. However, their suitability is determined by the land use or value (commercial, conservation, heritage, community) attached to the land and the specific vegetation control objectives. Fire prevention, locomotive traction, drainage, asset inspection, maintenance access and amenity are the key vegetation control objectives.

To achieve the stated management objectives the PTC uses six control techniques, these include:

i. herbicide,
ii. mechanical (ploughing, grading and hoeing),
iii. burning-off,
iv. grazing,
v. hand pulling and
vi. competitive planting.

None of the above provide a total answer and most have as many disadvantages as advantages. The challenge for the land manager is choosing the most appropriate technique or combination to achieve the objective.

Contracting/out-sourcing – introducing competition

Contracting or out-sourcing effectively means the introduction of competition to internal functions or services. Possibly for the first time, a section or internal staff may be exposed to external scrutiny or comparison with comparable services outside the organization (if they exist). It may also be the first time that an internal service provider is evaluated in business terms such as:

- accurate definition of purpose and customers
- estimation of service cost and allocation to users
- service levels and market segmentation
- likely competitors and market positioning
- relationship with suppliers
- licensing, legislation and government relationships.

It is likely that an internal service may superficially appear more costly than external suppliers. However, it is essential that truly valid comparisons are made. It would be relatively easy to discount an internal service on cost grounds, while not fully accounting for the benefits of having resources 'on stand-by'. Equally, external suppliers may not be initially able to offer a tailored service as has been received from in-house resources.

These factors lead to the potential complexity organizations will face when dealing with 'across the board' percentage cuts, as has been implemented through Compulsory Competitive Tendering. It may be easy to single out individual units for separation. However, to achieve this in a manner that does not adversely impact on service delivery requires a strategic review of factors which impact on the performance of the organization in terms of service delivery to the customer / client.

These may include:

- customer identification
  – who are they?
  – what market segments are there?
- identification of core activities
  – how important are they?
  – quantify the risks of out-sourcing an activity
  – external availability
- critical components in service delivery
  – what factors are important to the customers client?

Case in point—weed control within the PTC is a very small component of the overall maintenance program, but can have a huge impact on perception. Most PTC passengers or freight forwarders give little thought to the effort and expertise required to effectively control the weed growth on approximately 6000 km of track. However, excessive growth around a station may give passengers the impression of reduced maintenance, reflecting adversely on the overall maintenance effort.

Out-sourcing is not new to the PTC, but the organization has a long history of self reliance, providing a wide range of internal services. Many of these services have ready replacements within the general business community and a number of the trades have been replaced by contract labour (along with a general down-sizing).

So how does the PTC go further to achieve a 30% out-sourcing of maintenance activities this year?

A key decision is whether the process will be managed along functional or geographic lines. Given the radial nature of the transport system, a geographic (or corridor) approach is being considered. In the geographic model under review, all maintenance functions are to be bundled into one head contract. The principal contractor will assume full responsibility for track maintenance, land management and all subcontractors. In such an arrangement, the PTC would primarily deal with the principal contractor for resolution of any issues. A significant benefit of this approach is potentially streamlined supervision with relatively few staff. However, this needs to be balanced against the risk of skills loss from the organization and less control in the selection of subcontractors.

In the functional model, existing functional areas that can be segmented out are managed as individual contracts. This approach has the benefits of possibly being faster to implement, may give the Principal greater control over selection and review of contractors and performance control. The down side is the need to issue and manage a greater number of contracts than above, and the possibility of conflict between contractors where a high level of co-operative work is needed. In addition, division along functional lines may not be efficient in all areas where the quantum of work is not commercially viable.

The above options also have significant implications for contractors. If a geographic approach is used, contractors may have little or no contact with the Principal, dealing primarily with the head contractor. In a functional contract a range of related duties may be bundled together such as spraying, slashing and landscaping. Contractors specialized in only a few areas may need to gain additional expertise or subcontract the remainder (if allowed).

Contracting-out issues

The key component of a contract is the technical specification. The specification provides the requirements to be achieved and the measure of success or failure for both the issuing and contracting organizations. However, for many organizations that have previously used internal resources, preparing 'the spec' may be a case of writing that which has never been written (or tested commercially). Accordingly, care needs to taken to ensure that:

i. the intention is clear to another party,
ii. the criteria are measurable and
iii. the service level required is not changed unwittingly from the current level.

A significant part of the process may include a review of several key issues:

i. benchmarking,
ii. performance monitoring,
iii. picking the right bid and
iv. characteristics of the market place.

Benchmarking

Benchmarking at its most basic is a comparison or ranking with like organizations or work groups. As such, the comparison can be made internally, externally, locally, interstate, overseas, within the same industry or service grouping, or with a different industry which has a similar focus. In doing so it is important to compare like with like, clarifying underlying assumptions, finding a valid measure of comparison and examining relative workloads and efficiencies of operation.

Having established a ranking, benchmarking may indicate how to meet the competition, but not necessarily how to beat it. A fundamental review of the corporate strategy, goals and objectives is called for in which the benchmarking results are fed in.

An example of the potential complexity of such an analysis would be a comparison of the PTC with other rail systems. Railway weed control in Australia is undertaken in much the same way from state to state, so maybe a direct comparison of $/km sprayed is appropriate. Such an analysis would probably place Western and South Australia as the most cost effective. However, a review of some of the underlying factors shows that given the relatively arid nature of those states, a low $/km figure is to be anticipated. Train frequency is also a significant factor, increasing the cost of application and the demanded level of control. Without the identification of underlying assumptions and inherent factors, the analysis has little value.

Performance monitoring

An early decision, fundamental to performance monitoring is at what level the specification will be written; managing outcomes (level of weed control) as against specifics (three sprays of Roundup). In part, the choice depends upon the level of internal expertise remaining, from (i) full professional support able to manage specific recommendations, through to (ii) outside consultancy providing occasional assistance in outcome assessment.

Outcomes or specifics, they must be measurable objectively to avoid misunderstandings and the risk of costly dispute proceedings. What has become evident is that contractors may be asked to assume greater accountability for the outcomes. With the Principal retaining limited internal resources, contractors may be asked to prepare their own reports on the success or failure of programmes, handling complaints and providing an audit trail for the Principal's superintendent.

Picking the right bid

It will be virtually impossible to pick the right bid if a poor specification is released with unclear objectives. Apart from confusing the bidders and running the risk of contractors under-quoting or adding a margin for uncertainty, the review panel may have difficulty separating valid bids from guesses or 'me too' prices.

Several components (other than a good specification) that are needed to ensure a sound choice is made are:

i. the specification writer or a technical representative is on the evaluation panel,
ii. if possible, price the job yourself,
iii. obtain references from tenderers and
iv. the lowest bid may be costly in the end.

Characteristics of the market place

Changes of the magnitude proposed by state and local government bodies are likely to impact significantly on the market place, as previously internal services are sourced increasingly from private enterprise. It is anticipated that the long association of local government and state authorities (such as the PTC, VicRoads and Melbourne Water) with engineering consultancies and construction companies will flourish.

Given the complexity of total management contracts, opportunities exist for new players such as specialist consultancies, newly privatized companies such as City Works (previously Melbourne City Council) and for expanded roles for existing contractors. What is difficult to assess is the likely success of 'in-house' resources moving out into a deregulated environment. While some are bound to succeed, others with inadequate capital backing and a narrow expertise and customer base will find the going tough.

Conclusion

At the end of the day it may matter little to the end user of a particular government service whether the service provider is a government employee or an appointed contractor. 'The customer is always right'; and provided the service fulfils the consumer's wants and needs, is cost effective and does not pass monopoly rents to private business, the process will have obtained its objective.

Before implementing what may result in fundamental and significant long-term change to government service provision, organizations need to thoroughly evaluate what components of service delivery are critical for them to keep in-house, what can be managed externally and how this change can be implemented to cause the least disruption to their customers.