



# Ministry of Transportation—Road Infrastructure Construction Contract Awarding and Oversight

## 2016 Value-for-Money Audit

### Why We Did This Audit

- Experts have raised concerns about premature cracks on Ontario highway pavements as a result of the deteriorating quality of asphalt used in their construction.
- Over the past five years, the Ministry of Transportation (Ministry) has completed almost 2,100 projects at a cost of about \$6.1 billion. About \$1.4 billion of the total was spent on asphalt to build highway pavement.

### Why It Matters

- Good-quality asphalt is essential to ensure that highways can last their expected lifespan of 15 years without premature cracks. Highway repairs are expensive and inconvenience the public.
- The Ministry expects that road construction work will cost about \$18 billion for the next 10 years. Of this, \$14 billion will be for road rehabilitation versus \$4 billion for road expansion.

### What We Found

- Premature cracks in pavement have significantly increased the Ministry's highway-repair costs. For a sample of five highway jobs we examined where information was available, we calculated that the Ministry paid \$23 million for repairs for premature asphalt cracking on top of the \$143 million originally paid to initially pave the highways.
- Suppliers persuaded the Ministry to delay implementation of tests they knew would identify asphalt likely to crack prematurely—one test was implemented five years late while another still has not yet been implemented across all contracts.
- The Ministry pays contractors bonuses (2012 – \$8.8 million) simply for providing asphalt as specified in the contract, even though contractors have in the past been able to substitute lower-grade asphalt when paving highways. The Ministry was aware of sample switching, but has neither investigated it to impose fines, nor implemented controls to ensure that sample switching does not occur.
- Senior Ministry officials have allowed the Ontario Road Builders' Association (ORBA), which represents the contractors that could financially benefit from the changes, to significantly influence its internal operational policies, so that recent policy changes benefit contractors rather than taxpayers.
- Engineers who certify that structures are built correctly are hired by the contractor, and have provided certifications in all five regions of the province on infrastructure that have later been confirmed to have problems.
- The Ministry's selection process is fair and transparent, but the Ministry is lenient with contractors who perform poorly. Contractors that have received unsatisfactory ratings are allowed to continue to bid for and win significant amounts of work from the Ministry. In addition, the Ministry has paid to repair the contractors' substandard work even when the work was covered by the contractor's warranty.
- The Ministry continues to award projects to contractors that breach safety regulations. Its penalties for these contractors, which are supposed to prevent them from bidding on future work, do not in fact do that.

### Conclusions

- Although a good working relationship with contractors and suppliers is important, the Ministry put the interests of ORBA, the Ontario Hot Mix Producers Association, and their members ahead of the interests of taxpayers by delaying the implementation of proven tests to identify poor-quality asphalt before it is laid on highways, and by changing internal operational policies to benefit the contractors rather than taxpayers. In the meantime, it has paid asphalt bonuses to contractors for meeting the terms of their contract—something they should be expected to do anyway—even after it became aware that its controls over asphalt sample testing were weak.