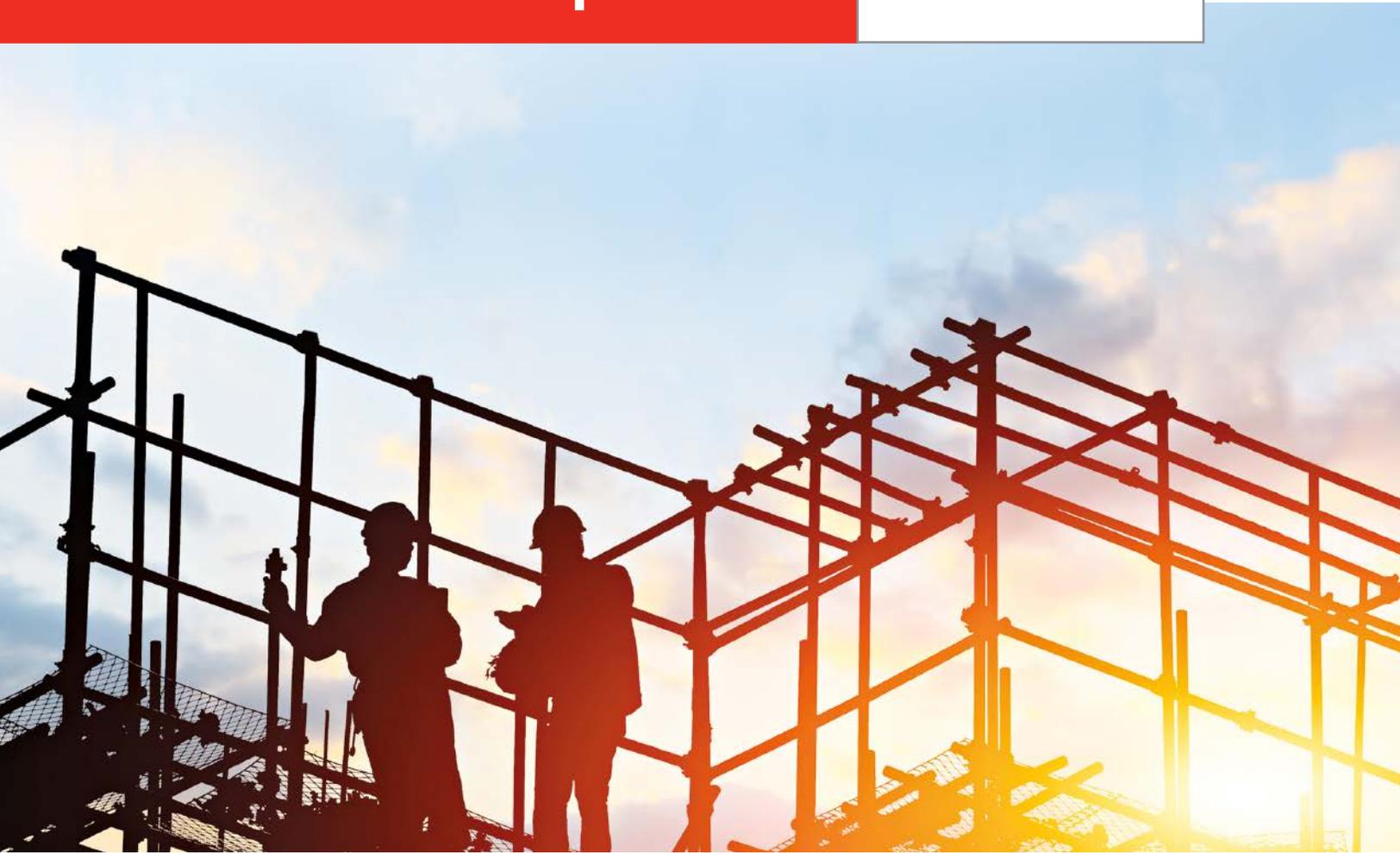


Transportation and Works

Annual Report

2017-18





MESSAGE FROM THE MINISTER

As Minister of Transportation and Works, it is my pleasure to present the department's annual report for the fiscal year 2017-18. This report was prepared in accordance with the Transparency and Accountability Act, under which the department is a Category 1 entity, and provides an overview of performance over the last fiscal year. It also represents the first year of reporting from the three-year 2017-20 Strategic Plan. I am accountable for the contents and achieved results outlined in this report.

Substantial progress has been made in addressing the department's strategic issues of multi-year planning, fiscally sound investments and government asset optimization. The department is committed to ensuring that infrastructure projects are delivered in a timely and cost-effective manner through the use of innovative and alternate methods than have been used in the past. Implementation of measures to optimize office space utilization and vehicle fleet management are also key priorities.

I would like to extend my appreciation to the dedicated staff of the Department of Transportation and Works for the contributions they make every day in providing services for the benefit of Newfoundlanders and Labradorians.

A handwritten signature in black ink, appearing to read "S. Crocker". The signature is fluid and cursive, with a large initial "S" and a smaller "C" for "Crocker".

Hon. Steve Crocker
Minister of Transportation and Works

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Departmental Overview

The Department of Transportation and Works is divided into four branches: Operations, Air and Marine Services, Infrastructure, and Strategic and Corporate Services.

Operations

Provision and maintenance of provincial roads and buildings that includes:

- Summer and winter maintenance (snow clearing and ice control) on 9,763 kilometres of primary and secondary highways and community access roads;
- Snow clearing for external jurisdictions including Gros Morne National Park, through a contract with Parks Canada, and 59 communities throughout the province;
- Purchasing salt and sand for 168 town councils and a number of health authorities, school boards, and other external entities;
- Management of the provincial government's fleet of over 3,300 vehicles including light vehicles, heavy equipment and utility vehicles;
- A Provincial Plow Tracker service, available on the department's Driving Conditions website (<http://www.roads.gov.nl.ca>), providing residents the ability to track snow clearing equipment position and where they have been;
- Provision of up to date road condition information utilizing one wind warning system, 28 Road Weather Information Systems (RWIS) stations, and 33 highway camera locations throughout the province (<http://www.roads.gov.nl.ca/cameras>); and,
- Management and maintenance of approximately 640,000 square metres of floor space, consisting of approximately 865 buildings, on 366 sites.

Air and Marine Services

Provision, maintenance, and management of provincial air and marine services includes:

- Eight provincially-owned and operated vessels, one provincially-owned and privately operated vessel, and eight privately-owned contracted vessels;
- Marine operations transporting approximately 820,000 passengers, 400,000 vehicles, and 12,000 tonnes of freight annually;
- Provision of vessel modification and refits of provincially-owned vessels;
- Operation of provincially-owned vessels with a complement of approximately 225 marine staff;
- Operation and maintenance of the provincial government's two air ambulances completing approximately 1,500 medical missions annually;
- Operation and maintenance of the provincial government's fleet of five water bombers; and,
- Operation and management of eight airstrips on the island portion of the province (Wabana, Clarenville, Botwood, Fogo Island, Springdale, Winterland, St. Andrew's and Port au Choix) and 12 airstrips in Labrador (Black Tickle, Cartwright, Charlottetown, Hopedale, Makkovik, Mary's Harbour, Nain, Natuashish (on behalf of the Mushuau Innu First Nation), Postville, Port Hope Simpson, Rigolet, and St. Lewis).

Infrastructure

- Construction of new buildings and management of other capital projects for provincial government departments and provincial government-funded bodies;
- Provision of environmental services for provincial government buildings and provincial roads projects; and,
- Construction of new roads and management of road improvement projects.
- Development and implementation of the Multi Year Plan for Infrastructure Investments, A Five Year Provincial Roads Plan and A Five Year Marine Infrastructure Plan.

Strategic and Corporate Services

- Provision of financial services for the department;
- Provision of strategic and support services (including policy, planning, evaluation and information management services) for the department;
- Provision of centralized mail and messenger, tendering and landline phone services for the provincial government;
- Provision of security services in government-owned buildings or those held or occupied by provincial government departments; and
- Provision of space for provincial government departments in government-owned buildings and leased accommodations;
- Provision of occupational health and safety-related services for the department; and
- Provision of services related to real property management, including the purchase and sale of real estate.

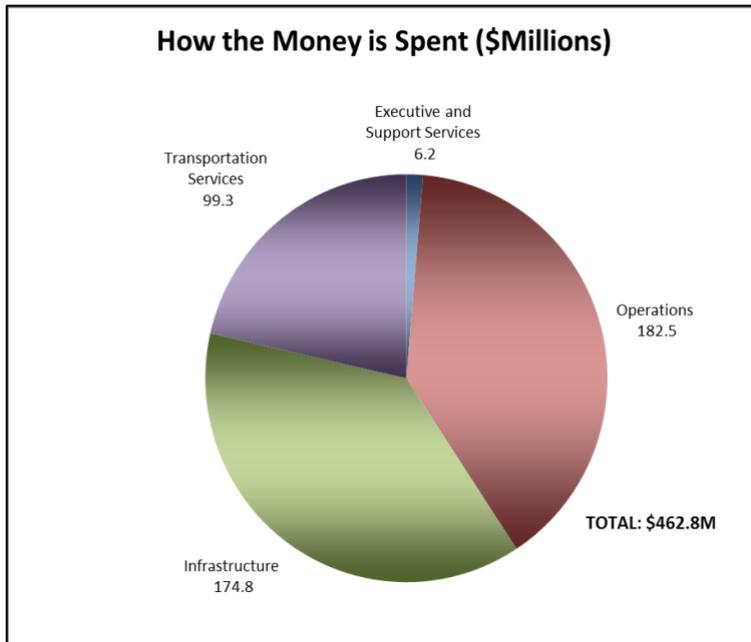
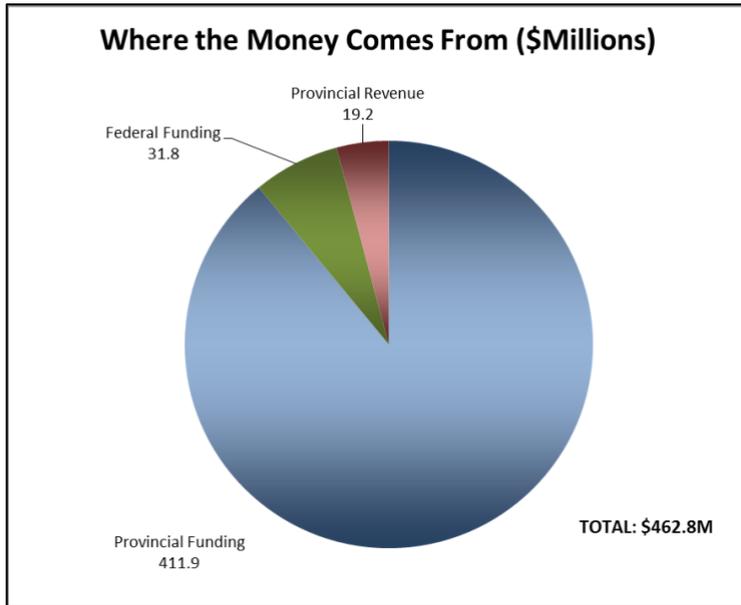
More information about the Department of Transportation and Works can be found by visiting www.tw.gov.nl.ca.

Staff and Budget

Division	# of Employees	Budget
Executive and Support Services	134	\$6,171,223
Operations (Maintenance of Roads and Buildings)	1138	\$182,515,918
Infrastructure (Construction of Road and Buildings)	160	\$174,799,530
Air and Marine Services (Transportation Services)	279	\$99,335,891
Total	1711	\$462,822,562
Note: Employee counts are as of March 31, 2018.		

Revenues and Expenditures 2017-18

A detailed statement of expenditures and revenues is included in the Financial Statements section at the end of this document.



Highlights and Partnerships

Partnerships

The Department of Transportation and Works is the lead department for government for the management of major infrastructure projects throughout the province. In partnership with the Department of Health and Community Services and the Department of Education and Early Childhood Development, the Department of Transportation and Works manages new developments, renovations, extensions and upgrades relating to public health care and education infrastructure.

During the 2017-18 fiscal year, the following shared accomplishments were made:

- Completion of five new schools:
 - Gander Elementary in Gander opened in September 2017 at a cost of \$22.1 million;
 - CBS Elementary in Conception Bay South opened in September 2017 at a cost of \$24 million;
 - Brookside Intermediate in Portugal Cove–St. Phillip’s Intermediate opened in September 2017 at a cost of \$27.4 million;
 - East Point Elementary in St. John’s opened in September 2017 at a cost of \$20 million; and,
 - Juniper Ridge Intermediate in Torbay opened in April 2017 at a cost of \$23.1 million.

- The first phase of the new College of the North Atlantic’s Heavy Equipment Centre of Excellence was completed, which included site work, and installation of foundations and structural steel. The building is scheduled to be completed in 2018-19.

- Corner Brook Care Partnership was selected to design, build, finance and maintain a new long-term care facility in Corner Brook. The value of the contract is approximately \$120 million over a 30-year period. The facility is expected to be

operational in spring 2020. The value-for-money assessment for the project concluded that that partnering with the private sector will result in savings of ten percent over the 30-year agreement. This is the first Public-Private Partnership (P3) project undertaken by the Government of Newfoundland and Labrador.

- A Request for Qualifications was issued to establish short lists of private sector businesses interested in designing, building, financing and maintaining new long-term care facilities in Gander and Grand Falls-Windsor as well as the new facility to replace Western Memorial Regional Hospital in Corner Brook.

Highlights

On March 27, 2017, the Government of Newfoundland and Labrador released Phase 2 of **The Way Forward: Realizing Our Potential**, which focused on a variety of actions aimed at creating conditions for private sector job creation and economic growth. The Department of Transportation and Works plays a key role in achieving the desired results set out in Phase 2. Achievements made from **The Way Forward** commitments by the department in 2017-18 include:

- Reduction of approximately 92,000 square feet of Government's leased building footprint, achieving savings of \$2.7 million annually as of March 31, 2018; and
- Completion of a horizontal review of fleet management to determine opportunities to employ new models of delivery and reduce the number of Government vehicles and associated costs.

Report on Performance

Issue One – Multi-Year Planning

Multi-year planning provides greater predictability for the construction industry, which in turn helps the provincial government build infrastructure in a timely and cost effective manner. It also provides more accountability and transparency to the public about how public funds are being invested. In early 2017, the province released the following multi-year plans:

- **The Way Forward: A Multi-Year Plan for Infrastructure Investments – 2017 Edition**
- **The Way Forward: A Five-Year Provincial Roads Plan – 2017 Edition**
- **The Way Forward: A Five-Year Provincial Marine Infrastructure Plan – 2017 Edition**

Each multi-year plan guides priority infrastructure investments throughout Newfoundland and Labrador over the next five years across various sectors including transportation, health care, education, municipal infrastructure, and justice and public safety. Multi-year plans will be updated each year to report on project progression and identify further projects for upcoming fiscal years.

Goal:

By March 31, 2020, Transportation and Works will have modernized infrastructure that supports core public services for Newfoundlanders and Labradorians.

2017-18 Objective:

By March 31, 2018, Transportation and Works will have delivered upon commitments as set out in year one of the multi-year plans and identified priorities for year two of the multi-year plans.

2017-18 Indicators:

- Updated editions of the multi-year plans released.

Results: The 2018 editions of the multi-year plans were released as follows:

- A Five-Year Provincial Roads Plan - released on February 7, 2018.
http://www.roads.gov.nl.ca/Transportation_Roads_Plan_2018.pdf
- A Five-Year Provincial Marine Infrastructure Plan – While a draft completed in March 2018, a final version was not ready for release in the 2017-18 fiscal year. It is expected to be released in early 2018-19.
<http://www.tw.gov.nl.ca/publications/MarineInfrastructurePlan.pdf>
- A Multi-Year Plan for Infrastructure Investments – released on March 27, 2018.
<http://www.tw.gov.nl.ca/works/InfrastructurePlan.pdf>

- Number of projects from year one of the multi-year plans completed.

Results: The number of projects completed from the 2017 editions of the plans were as follows:

- Five-Year Provincial Roads Plan: 43
- Five-Year Provincial Marine Infrastructure Plan: 55
- Multi-Year Plan for Infrastructure Investments: 7 (Transportation and Works-led projects)

- Number of projects for year two of the multi-year plans identified.

Results: The number of projects identified for year two in the 2018 editions of the plans are as follows:

- Five-Year Provincial Roads Plan: 60
- Five-Year Provincial Marine Infrastructure Plan: 39
- Multi-Year Plan for Infrastructure Investments: 59 projects in total, 36 of which are led or managed by the Department of Transportation and Works

- Amount of funding allocated for projects included in year two of the multi-year plans.

Results: Funding allocated for projects included in year two of the multi-year plans include:

- Five-Year Provincial Roads Plan: \$77.2 million
- Five-Year Provincial Marine Infrastructure Plan: \$6.1 million
- Multi-Year Plan for Infrastructure Investments: \$619.7 million (includes the funding allocated for the above noted road and marine plans).

The commitment to release multi-year plans annually balances fiscal responsibility with the need to address key infrastructure priorities and provides greater predictability, accountability and transparency to both the public and industry about how and where

public funds are being invested. Some of the highlights of progress made on infrastructure projects in 2017-18 include:

- Completion of five new schools in Gander, Conception Bay South, Portugal Cove-St. Phillip's, St. John's and Torbay;
- More than 508 lane kilometres of road paved, 365 culverts replaced and 18 bridges repaired; and
- Rehabilitation work completed on the MV Sound of Islay at a cost of approximately \$4.8 million, enabling the vessel to continue service as a swing vessel in the provincial ferry system.

2018-19 Objective:

By March 31, 2019, Transportation and Works will have delivered upon commitments as set out in year two of the multi-year plans and identified priorities for year three of the multi-year plans.

2018-19 Indicators:

- Updated editions of the multi-year plans released.
- Number of projects from year two of the multi-year plans completed.
- Number of projects for year three of the multi-year plans identified.
- Amount of funding allocated for projects included in year three of the multi-year plans.

Issue Two – Fiscally Sound Investments

Ensuring value for tax-payers' dollars is a critical consideration in how the department provides services for Newfoundlanders and Labradorians. The department is committed to seeking out innovative and alternate procurement methods to achieve the most cost-effective means to deliver infrastructure projects. Transportation and Works will find more cost effective ways to do business and provide services to meet the needs of

residents. We will also review federal programs and policies to ensure that Newfoundland and Labrador is strategically leveraging federal funding, as outlined in **The Way Forward**.

Goal:

By March 31, 2020, Transportation and Works will have balanced fiscal responsibility with the need to address the province's key infrastructure priorities.

2017-18 Objective:

By March 31, 2018, Transportation and Works will have maximized investments through early tendering and leveraged cost-shared funding as well as completed value for money analysis on potential projects to be delivery by alternate procurement methods.

2017-18 Indicators:

- Number of tenders issued before April 1, 2018.
Results: There were 30 early road tenders released prior to April 1, 2018.

- Amount of cost-shared funding leveraged.
Results: During 2017-18 the department secured \$37.6 million in new funding from the federal government under the New Building Canada Plan.

- Number of projects having value for money analysis completed.
Results: Three projects had a value for money analysis completed in 2017-18.

With the issuing of early road tenders, the department expects to receive more competitive bidding and will allow contractors to begin work as soon as the weather allows which will increase the likelihood or more projects being completed in our short

construction season. As a result of early tendering prior to the 2017 construction season, the number of provincial roads projects that had to be carried over into the 2018 construction season decreased by 14% compared to the previous year. That trend is expected to continue in 2019 with the release of the 30 early tenders prior to April 1, 2018.

The federal funding leveraged under the New Building Canada Plan included funding to widen and pave the Trans Labrador Highway (TLH) from Charlottetown Junction to Cartwright Junction as well as various road rehabilitation projects throughout the province. In addition, a business case seeking \$31.9 million in federal funding towards paving of 126 km of the TLH between Happy Valley-Goose Bay and Cartwright Junction was submitted and pending federal approval at year-end.

A value for money (VFM) assessment was completed to determine the most cost effective procurement approach to deliver public infrastructure. It compares traditional procurement methods with Public Private Partnership delivery. In December 2017, a preliminary VFM assessment was completed on the new Gander and Grand Falls-Windsor long-term care facilities to determine the procurement method. Also in December 2017, the final VFM was completed on the Corner Brook long-term care project at financial close of the contract.

2018-19 Objective:

By March 31, 2019, Transportation and Works will have advanced infrastructure projects using alternate procurement methods.

2018-19 Indicators:

- Number of projects advanced through a public-private partnership procurement process.
- Results of VFM assessments released and quantified after contract award.

Issue Three – Government Asset Optimization

Management and maintenance of public buildings and vehicle fleet throughout the province is a key priority for the department. Transportation and Works is committed to enhancing the use of government's real estate portfolio and vehicle fleet. The department will implement measures to optimize space utilization through the rationalization of space requirements and the identification of vacant and unnecessary space. The department will also employ new models of delivery and reduce the number of government vehicles and associated costs.

Goal:

By March 31, 2020, Transportation and Works will have optimized the province's real estate and vehicle fleet portfolio.

2017-18 Objective:

By March 31, 2018, Transportation and Works will have identified opportunities to rationalize government's real estate portfolio and vehicle fleet.

2017-18 Indicators:

- Leased space requirements reviewed.

Results: The department completed an analysis of provincial government office space requirements in 2017-18, including proposals to reduce Government's lease footprint. The review focused on maximizing leased space (and also on government-owned space) in St. John's, Corner Brook, Gander and Happy Valley-Goose Bay. It included surveying a number of departments/locations to determine the density of the existing spaces.

- Vacant and underutilized space identified.

Results: As a result of the leases space review, a number of spaces were identified that could be better utilized or even terminated. It was also

determined that the use of space by many departments was not in compliance with government space standards.

- Horizontal review of vehicle fleet management completed.

Results: A horizontal review of the government fleet was completed in 2017-18 to determine opportunities to employ new models of delivery, and reduce the number of government vehicles and associated costs. The review led to a number of recommendations and decisions that will be implemented commencing in 2018-19 including a reduction in the number of light-duty vehicles by 10 percent.

The department has worked to optimize real-estate utilization based on the following considerations: (1) maximization of government-owned space; (2) better utilization of ongoing leases; and (3) entering into new leases via competitive processes. As a result of the leased space requirement review, the department of Transportation and Works reduced Government's leased office space by over 92,000 square feet by March 31, 2018, representing an annual savings of \$2.7 million.

The vehicle fleet review resulted in a number recommendations, including: (i) establishment of a pooled usage system that shares vehicles across departments; (ii) procurement of more fuel-efficient vehicles; (iii) implementation of centralized and coordinated repair and maintenance services; and, (iv) implementation of a reservation/booking system.

2018-19 Objective:

By March 31, 2019, Transportation and Works will have optimized government's real estate portfolio and vehicle fleet.

2018-19 Indicators:

- Continue to work toward the commitment of reducing government's leased-space footprint by 130,000 square feet over 2016 requirements in 2020 which will also include:
 - Development of new government space standards based on open space planning.
 - Development of an accountability framework for client departments to help ensure responsible space utilization throughout government.

- Number of light-duty vehicles in fleet reduced by 10%.

- Increase in the number of light duty vehicles available in government's pooled vehicle system, allowing more vehicles to be shared amongst various departments, by transitioning them from (and reducing) vehicles dedicated to specific departments only.

- Review completed on government's recreational vehicle fleet and recommendations made for implementation in 2019-20.

Opportunities and Challenges

Optimize the Value of Public Assets

The Department of Transportation and Works' assets include land, buildings, marine vessels, aircraft, road infrastructure, machinery and equipment. The department will seek opportunities to optimize its assets to ensure that they generate an economic benefit for the province and its residents.

The disposition of unused assets will result in sales revenue as well as savings associated with reduced security, maintenance and rental costs. Progress on divesting some of these assets is expected to be made in 2018-19. These initiatives will deliver on commitments in **The Way Forward** to operate a more efficient public sector.

Collaboration with Municipalities

Given the vast road network in Newfoundland and Labrador and the fiscal challenges faced by governments at the provincial and municipal levels, there is an opportunity for both levels of government to collaborate on projects of mutual interest to the greatest degree possible to avoid duplication, lower costs and find synergies. With 9,763 km of roads in the provincial inventory, lower volume local roads are often lower on the department's priority lists. To help align priorities, the department intends to work with municipalities and have them identify their top priorities for summer road maintenance. Their feedback will then be used to inform the summer maintenance plans for the year.

In addition, when both levels of government are planning roads projects in close proximity to each other, there may be opportunities for better coordination to achieve greater economies of scale, lower bid prices and shorter time frames for traffic disruptions.

Financial Statements

Statement of Expenditures and Revenues

Summary of Expenditure and Related Revenue (unaudited)
For the year ended 31 March 2018

	Estimates		
	Actual	Amended	Original
Executive and Support Services			
Minister's Office	235,026	241,400	277,800
General Administration	5,936,197	6,111,600	11,015,400
Less: Revenue	(4,369,767)	(510,000)	(605,000)
	1,801,456	5,843,000	10,688,200
Maintenance of Roads and Buildings			
Road Maintenance	96,816,346	99,108,000	89,152,600
Less: Revenue	(4,093,877)	(4,388,100)	(4,388,100)
Building Maintenance, Operations and Accommodations	47,472,333	49,092,300	63,830,600
Less: Revenue	(1,076,436)	(1,300,000)	(1,300,000)
Equipment Maintenance	38,227,239	39,760,400	42,125,300
Less: Revenue	-	(130,000)	(207,000)
	177,345,605	182,142,600	189,213,400
Construction of Roads and Buildings			
Administration and Support	4,281,144	4,410,300	5,723,300
Less: Revenue	(983)	(5,000)	
Road Construction	131,471,249	181,555,800	199,719,700
Less: Revenue	(28,868,381)	(26,505,900)	(66,140,800)
Building Construction	4,322,135	6,857,000	10,460,500
Less: Revenue	(841,900)	(558,500)	(161,700)
School Facilities	31,118,757	53,682,200	43,342,000
Less: Revenue	-	-	(590,900)
Resource Roads	3,606,245	3,689,300	3,689,300
	145,088,266	223,125,200	196,041,400
Transportation Services			
Air Support	2,315,691	3,061,800	3,038,700
Less: Revenue	(1,290,700)	(1,450,000)	(1,380,000)
Marine Operations	85,689,791	93,063,800	87,314,100
Less: Revenue	(9,469,579)	(9,508,200)	(7,777,000)
Air Services	11,330,409	11,884,100	12,715,200
Less: Revenue	(915,426)	(2,400,000)	(2,700,000)
	87,660,186	94,651,500	91,211,000
Total Expenditure	462,822,562	552,518,000	572,404,500
Total Related Revenue	(50,927,049)	(46,755,700)	(85,250,500)

Note: Expenditures and revenue figures included in this document are un-audited and based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2018. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however the Department of Transportation and Works is not required to provide a separate audited financial statement.

