

POSITION PAPER

ENSURING HEALTHY COMPETITION BETWEEN PAVEMENT INDUSTRIES SAVES PUBLIC MONEY

EUPAVE is convinced that increased competition between pavement industries should be a common thread in processes and policies to procure pavement in Europe. Today, many Member States and local authorities stick blindly to their tradition of considering only asphalt pavement solutions, despite the fact that long-lasting concrete pavements are very competitive in other Member States.

Ensuring more competition between pavement industries increases public spending efficiency and stimulates innovation. It's a win-win for everyone - taxpayers, public authorities and industry!

Non-discrimination, transparency and open competition are principles enshrined in the treaties of the European Union and relevant EU legislation, such as the EU Public Procurement Directive¹. However, for various reasons (tradition, lack of experience, aversion to change) road authorities are often conservative when it comes to pavement type selection. This is de facto restriction of competition, as it shuts potential competing industries out of the market.

A recent paper² by the American Concrete Pavement Association illustrates how greater competition in the pavement sector results in savings for road authorities. The study uses publicly available highway agency bid information, whose data represents 45 US states. Average five-year state cost data confirm that US states that use a more even balance of pavement types (asphalt and concrete) get better value for money than those that use only one pavement type. As the share of concrete in the overall paving budget increases from 0 to 35%, asphalt unit prices drop around 22% and concrete unit prices

***“Encouraging competition
is simply better business practice
for road authorities.
There are no downsides!”***

drop an incredible 45%. That means a road authority could get over one million square metres of extra concrete pavements for the same annual budget!³

The USA and Canada moved in this direction a decade or two ago and have refined processes to fully capture the benefits of competition⁴.

■ Recommendations for the European situation

Currently, on average in Europe, concrete pavements account for just a small percentage of all roads. This share varies from 0% in many Member States, up to 50% in a select few. Clearly, healthy competition between pavement types does **not** exist in many jurisdictions. →



One way to stimulate healthy competition systematically that works well in North America is **alternative bid** contracts, whereby two alternative equivalent designs can be jointly put to tender. In most cases an adjustment factor allows for differences in durability and life-cycle costs⁵ to be taken into account to make sure the best solution for the tax-payer is eventually selected.

In the Netherlands a “decision support tool” was developed by CROW (Technology Platform for Transport, Infrastructure and Public Space)⁶, which allows costs, environmental impacts and other aspects to be objectively weighed up. This makes sure alternative designs are compared upfront, thereby also creating healthy competition.

Public-private partnerships (PPPs) are another way to stimulate healthy competition, as seen in Poland, as the promoter will usually review all alternatives at hand to optimise the financial outcome.

That said, even where pavement type selection procedures use some sort of objective life-cycle cost criteria, one can wonder whether the analyses (and the cost data etc.) are really valid when one pavement type has been excluded from the market for many years. Where no competition between industries exists, it would even be worth specifying a certain pavement type to stimulate greater competition between industries. This may sound like discrimination in itself, but it should only be done where the road authority can show that introducing a certain minimum of competition into the market will result in savings on the long term. Alternatively, opting for composite pavements, combining concrete and asphalt in a single pavement structure, is a smooth way to introduce new pavement industries to the market.

■ Conclusion

As shown in the US, in jurisdictions where *both* pavement types are specified on a regular basis, prices decrease while construction experience and skills increase, leading to better quality pavements and savings of public money. This experience could be replicated in Europe.

EUPAVE calls on the European Commission, Member States and road authorities to examine public tendering processes and foster healthy competition in pavement types. In particular, EUPAVE calls on the European Commission to:

- Encourage Member States to take a more innovative approach in public procurement, and avoid focusing on lowest initial cost
- Assess the outcomes of the Communication⁷ on green public procurement of 2008
- Collect examples of best practices in public procurement across Europe
- In the context for European-funded projects, ensure competition is encouraged.

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¹ Directive 2014/24/EU

² Pavement type selection: What is the ideal process? L. Wathne, American Concrete Pavement Association, 2014.

³ Example is for a €175 million paving budget and a concrete paving share of 30%.

⁴ For example, in Ontario, Canada, alternative bid contracts foster competition and include both initial cost and life-cycle costs.

⁵ Concrete pavements have higher durability and lower life-cycle costs

⁶ Afwegingsmodel wegen (AMW). (Decision support model for road pavements) CROW computer program D926a. Ede, The Netherlands, 2008

⁷ Public procurement for a better environment, COM (2008) 400