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## MANAGEMENT WORK SESSION Monday, July 25, 1994

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### PRIVATIZATION

Privatization or contract maintenance is a subject that our company, Hinkle Contracting, has long advocated. Not just in snow removal but in many areas. We have felt for some time that there are a lot of advantages to working with private industry as it relates to available manpower (I guess you could say equipment) that is not used in the peak season. It is there for the asking.

I will give you a little background on Hinkle Contracting so you can understand why I feel this way. We are primarily a highway contractor with emphasis on asphalt paving. We have a grade and drain division. We are producers of ready-mixed concrete and crushed stone. We have a trucking company with approximately fifty trucks. We have a pretty good cross section of equipment, just as many other contractors in the state.

It is painful to see the Highway Department or county or city struggling with slick roads, with a shortage of equipment, knowing that we have a yard full of graders, loaders, and trucks that could be used for this purpose. The best way for me to make my point is to talk about the present scenario.

I want to point this out, we have been involved with snow removal for governmental agencies for probably 20 years--mostly on an informal basis, and almost exclusively on an emergency basis. That is the disturbing part about it--and that is my whole point today--we have to get away from this emergency basis. When you are up to your waist in alligators is

not the time to drain the swamp. When snow gets so bad that the governmental agency can't handle it, then we are called. Fortunately, sometimes a real severe forecast will trigger it, but nine times out of ten, it is when snow keeps piling up, or the ice is so bad, then we get the call.

As you can understand, this greatly reduces efficiency. Our home base is in Paris, Kentucky, and we might be asked to take equipment into Breathitt County, which is almost a hundred miles away. You can imagine the time involved. If we get a call at 10 a.m., we have to get equipment across slick, snowy roads to this location a hundred miles away. We have to round up people who are on seasonal layoff. (By the way, they are anxious to go to work and very much look forward to this opportunity). But, because of this emergency basis, we are probably losing four, five, or even six hours it takes to mobilize. On the other side, if we could count on this, supervisory people as well as operators would be on call. That would greatly increase efficiency.

I think the preferable situation is for the agency (cities, counties, as well as the Highway Department, and Transportation Cabinet) to work out hourly equipment rates no later than mid-October. When the snow is six inches deep, that is not the time to be hassling over an hourly rate. That happened this past winter, particularly with a county official who was in desperate need of equipment. He called and we talked about the types of equipment. I gave him some rates that we had been using for a number of years with the Highway Department and he started quibbling over the rates. Finally, I told him that we would bring the equipment and work this out later. After, I guess, some soul searching on his part, he told me that those rates were not too bad after all because we were supplying a backup vehicle escort, communications, and all the things that go with it.

There is one district within the Highway Department that contacts us every year for equipment rates. This past year was the first year we have used them to any great extent, but I have often wondered why this is not a policy statewide. It saved some time in communicating to the central office as to what the rates were going to be. I think our position, as well as many other contractors with whom I have talked, is certainly not to take advantage of the situation but to try to recover the costs that we have in the winter, which are certainly different than those we have in the summer.

If you have agreed upon the rates, then there needs to be criteria established as to what would trigger a contractor's involvement. I don't know whether that would be a certain depth of snow, whether it would be a forecast of a certain depth of snow, but there has to be some mutually agreed upon trigger so if we have a vicious storm forecast for tonight the contractor doesn't wonder all night whether he will get the call or take it upon himself in the morning to get the equipment ready. That would go a long way toward removing some of the uncertainty. I know

you prioritize the roads concerning snow and ice removal. It would be a matter of sharing that information with the contractors.

The application rate of chemicals is one thing in which we, as contractors, don't get involved. We probably should because, again, most of us have dump trucks sitting idle all winter that could readily be adapted with salt spreaders, snowplows, and so forth. The governmental agency should have a designated person (probably by district) who would coordinate these activities with the contractor, make the call, just to confirm that we have reached this point where we need to mobilize and hit certain roads. He would decide on what type chemical to use, whether salt or calcium chloride, or whatever. Also, he or his representative would need to decide as to when we have sufficiently cleaned certain roads. If it is down to bare pavement, then that is pretty self explanatory. There are other judgements to be made, and certainly there is no point in a contractor going over and over a road if you are not going to get down to bare pavement. The designated person could make that decision as to when we pull off and go to another road. It appears to me that a price contract could be put in place. I heard some talk about that this morning--maybe that is what has been contemplated for hourly rates.

I also heard mention this morning of trucks, which certainly is one of the important items. But, again, there are a lot of graders, loaders, other pieces of equipment available. To me, it would be better to have the whole list of equipment that could be used (not necessarily have to be used, but could be used) by private enterprise in a severe storm. If this price contract were in place, it could be just like the hot-mix or the stone price contract in that other governmental agencies and municipalities would have the right to work off of that same rate schedule. If you give the state a rate of \$75 an hour for a grader, fully operated, and a county judge knew that he could use that same price, there would be no haggling over the price. You know he would call and you could go on and go to work.

I guess the biggest thing along that line is that contractors would have to have some type of assurance. Of course, nobody is going to guarantee that there will be a snowfall and if you could, you would probably guarantee there wouldn't be. But, for a contractor to buy a number of snowplows or salt spreaders to equip his trucks, he has to have some guarantee, I guess minimum payment, to cover that cost. David Lorbeske mentioned this morning that if the work didn't reach \$5,000, then you received that \$5,000 or whatever the amount should be that needs to be in place. I think you would see a tremendous response from contractors who would seize the opportunity to buy this equipment, be ready to move on a very short notice to help out on the snow removal. I know that there has been a lot of criticism in the past that contractors don't have the proper equipment but, again, as I say, if they could count on this from year to year I am sure they would acquire the needed equipment.

I know some Highway Department personnel oppose the contract maintenance concept and I think that is probably normal. At first glance, just because of self preservation or whatever, but when you stop and think about the restrictions that are placed upon your agency as attrition and retirement takes their toll on employees (and I know there has been many directives as to restrictions on new hires), there is just absolutely no way that your forces can keep up with fewer people the same as you would maybe 10 years ago. To me, it doesn't make sense to hire people for summer work and then hope that you have something for them to do in the off-season or the reverse of that--hiring for winter snow removal and then trying to find something to do in the summer. Probably your best bet is to gear up what it takes to do the routine maintenance (probably summer maintenance) and then not increase that level just to take care of the snow removal. If we look at it from that standpoint, we probably have to agree that there is a place for privatization of snow removal and I think nationwide the trend seems to be more toward contract maintenance. With the proper forethought and planning, it could be a win-win situation for everybody.