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SNOW REMOVAL SERVICES

Presentation to the Infrastructure Renewal and Public Works (IRPW) Committee of Council

I am accompanied this morning by Nicole Chabot, of L. Chabot Enterprises Ltd., a well-known contractor in Manitoba whose company provides diversified construction and related services including snow removal.

Nicole Chabot is also a member of the MHCA Board of Directors, its Executive Committee and chairs the Association Snow Removal Policy Review Committee.

I will address the broader policy implications of the CUPE and the Double H reports and Nicole will comment in more detail on the Double H Report.

We appear before this committee to engage in another ideological debate related to service delivery for the citizens of this city - this time snow removal services. Sadly, the manner in which promoters of expanded city forces have delivered their views pits people against one another, instead of trying to, at least on this occasion, present with reason.

Before I get into substance I wish to remind everyone - as noted beginning on page 6 of the Winnipeg Public Service Report - that the standards of service delivery and related issues are mandated by Council policy and administered by the City Administration. This means that whether the service is provided by managing in-house forces or through contract by private sector, the same standards apply.

If there is concern over the service standards, it is not a matter of public or private service delivery; it is a matter public policy, which only the elected branch has the power to change. Furthermore, to argue that there is a lack of quality, safety or qualifications on the part of private suppliers is to disregard everything officials have done to set those standards and enforce them both in the vetting process and contract management with the private sector and in house forces management.

So let me begin first by addressing the two reports released by CUPE Local 500.

CUPE has apparently engaged in '*public consultation*' by establishing a complaint driven website, and other forum, to invite comment, experience and perception related to the manner in which snow removal services are delivered.

It apparently did this '*transparently*' over an extended period of time. It assembled the information by geography - east Winnipeg apparently was hardest hit with bad service - and ward - a clever political pressure tactic. The obvious objective behind the above effort is to support a conclusion that CUPE is contributing to a public policy discussion with bona fide, credible research.

Let me offer some observations.

We are going to launch a complaint-based website, inviting the public to anonymously submit their views, perceptions and complaints about CUPE, the manner in which its members deliver services, the extent to which they are or are not trained, whether or not the union provides appropriate representation for its membership, and so on.

Then we will assemble the observations geographically, and by ward, with colorful charts and graphs and related unattributed complaints, and spin the reasons why based upon such collected information, CUPE Local 500 should be decertified with or without further investigation.

Can you imagine the reaction? There would be protests pointing to lack of credibility, comments about lack of science. The list would be endless.

If in that hypothetical circumstance you would accept such objections to be reasonable and dismiss such a report as lacking any credible weight, then for the same reasons you should respectfully dismiss CUPE's report. The CUPE Report is fundamentally flawed in methodology, and released in form and content designed to play to its audience.

The issue I take with it more than anything in CUPE's report is this quote: *"Instead of using traditional telephone surveys, which can only scratch the surface of where people are coming from, CUPE 500 elected to open up the door to Winnipeggers to comment in general and however they wished on the topic of snow plowing in Winnipeg."*

This is insulting to the intelligence of readers and policy makers who understand that the first and arguably most important tenet of credible research, is to strive for a random sample of participants to exclude as much bias as possible.

The report uses slippery language to imply its results are generalizable to the population of Winnipeg and is less than forthcoming about their methodology; disingenuous tactics at best, mischievous at worst. To these points, it does not say how many people provided submissions. And although it purports to show the number of responses by different areas of the city, there is no way of verifying whether the population is geographically representative of the city or whether the demographic makeup of those who took the time to leave a comment is representative of the population at large.

In short, this is an exercise in unsupported, make believe opinion gathering, and not a legitimate measure of how Winnipeggers feel about snow clearing. Respectfully decline to do other than receive the report as information of its existence.

As for the Double H consultant's report? Any purchaser of consulting services who asked for a report to outline the business case for - in this case - expanded in-house service delivery, and who received such an end product, would be justified in not responding to any accompanying invoice for services.

I won't spend much time reviewing all of its inadequacies. Nicole will speak to its clear inadequacies, errors, omissions and flaws in her comments.

I will however point out to you that the primary takeaway message from the Double H report is this: the city's current in-house delivery of snow removal services is inadequate and inefficient, and that the city's

share of snow removal services is noticeably less than that provided under contract by the private sector.

To correct this inefficiency, the consultant is recommending that Council and Winnipeg's taxpayers spend millions of dollars purchase 150 pieces of equipment, millions more to build facilities to house them, and millions more to maintain them, fuel them, hire people for them, establish appropriate education training and licensing standards, educate and train them in the hope that such a massive capital and HR spending spree will change what is acknowledged to already exist - inefficient in house delivered snow removal services - incredible absence of logic.

As for the Winnipeg Public Service report, the industry could have if it had wanted to, pressed for the opportunity of meeting with the administration in the course of it writing a report - but we chose not to.

We chose to wait for the city to undertake its own assessment and come up with its own set of recommendations based upon its history, knowledge, hands on experience and 30 plus years of ongoing relations with the industry that held to contract and city determined snow removal standards, removes snow from city streets.

And we did this to eliminate cries of undue influence, bias, self-interest or other criticism, if the report suggested that some of its recommendations were based '*upon industry input.*'

So....what should you as trustees of the public purse do in the circumstance confronting you?

Let's acknowledge a couple of things.

No two parties to any agreement related to services are ever perfect. Neither industry nor the City are perfect. That is why we have contracts. And that is why in contracts we have supervision of service provisions, delivery standards, service expectations, equipment type requirements, stand-by obligations, accountability clauses, liability for damages provisions, arbitration provisions, payment for services based upon completed services clauses, hold harmless provisions and many more....all designed to ensure that the purchaser of the service - the City - gets what it bargained for.

Moreover, over the last number of decades what has and hasn't worked in the contractual and service delivery arrangement with the private sector has been scrutinized. With improvements made, expectations are more clear, contractors are accountable, and the relationship between the City and industry has become more mature and respectful. Moreover, the review of its terms has not stopped, it is ongoing by each party with continuous improvement being the end objective.

Through contract, the City and its taxpayers have the advantage of shifting risk to industry as the seller of services, holding industry accountable without the City incurring cost for failures. As noted in the Administration's report, damages caused by the private sector are paid for by the private sector with no additional compensation. Damages caused by city in house forces are paid for at the prevailing rates as an additional unbudgeted cost upon the public purse.

It should be apparent to any objective review, that a contractual relationship is the best form of money and service delivery management. It ensures continuous competition for the privilege of being awarded a contract - a series of binding and legally enforceable obligations - to deliver service without the

headaches of capital purchase of equipment, HR, labour relations management, CBAs, facility, building, utility and tax overheads and so many more.

The irony here is that the fundamental document which governs HR relations between CUPE Local 500 and the City, is also managed under the same commercial instrument as the industry's is related to snow removal services - a contract - in CUPE's case called the Collective Bargaining Agreement (CBA).

- Is the CBA it perfect from either CUPE's or the City's perspective? Likely not.
- Does it have room for improvement? Likely from each perspective.
- At the end of each term cycle is it renegotiated based upon past experience? Yes.
- Does it provide a real time framework for the relationship until then next round of negotiations? Yes.
- Because it may not be perfect, is it abandoned? No.
- Would CUPE and the City rather have the existing CBA in place or no agreement at all? Surely the CBA.
- Does it have dispute mechanism and arbitration provisions? Yes.

The City is not, nor should it be in the business of *'being in business.'* Its mandate is to deliver services in a manner which befits *'prudent fiscal management'* as a descriptive of the manner by which the service is delivered.

Anyone can say hire more people, buy more equipment, build more buildings and things will improve. It takes management skill and business acumen to ensure that those risk purchases are founded upon a legitimate business plan with a return on investment, in this case back to the city.

The city respectfully and not said critically, does not possess that business acumen as that is not its *raison d'être*. Nor for that matter has CUPE demonstrated any such business skills in either of the tabled reports. And lest one protest, let me give you just one example.

Not that long ago - during Mayor Glen Murray's term in office - City Council siding with CUPE's business advice, but against the advice of administration and industry, decided that it would go into direct competition with the aggregate industry in the supply of stone through a Special Operating Agency (SOA).

"We can and should be more competitive than industry. We can by going into direct competition with the industry provide lower costs for taxpayers without risk. We don't have to pay the same taxes that business pay. The city can under-write our borrowing costs at levels way below what the private sector can get from banks. We own the pit in Springfield. How can we possible lose?" Those were some of the winning arguments persuading the political decision.

Notwithstanding the *'confidence'* underlying the above arguments, and to further *'ensure'* business success, the City's Special Operating Agency (SOA) was even given **exclusive** right to supply all of the sand to the City - at whatever price the SOA chose to sell it - over a three year period to help the SOA get into the business and make the promised profits.

The SOA was *given* an asset, *given a three (3) year monopoly* - illegal in the private sector world - on the supply of sand, it had equipment purchased for it, and it had a Board of Directors put in place so as an SOA it could be *'run like a business.'*

Do you remember the result? In the space of I believe it was five years the city SOA lost roughly \$7 million; shut down its operations; sold its pit and assets; fired no one; and left the taxpayer holding the bag for all of those losses.

This exercise has very respectfully been a colossal waste of time, energy and effort. Instead of focusing of matters of real importance, you have been dragged into yet another ideological debate you have gone through countless times before.

And each time you have had this debate, it has been objectively demonstrated that the market place - with all its warts - is best able to deliver competitively priced services, in the context of contractual relationships through which the city holds all the cards and bears little risk.

It boggles the mind that this issue is being brought up for consideration again, and this time using such poorly conducted *'research'* to do it.

Please.... don't fall victim to a manipulated *'public process'* designed to *'wear you down'*, capitulate and submit; don't waste your administration's time anymore on this frivolous review; don't send administration back to reconsider and respond to the failed CUPE and consultant reports.

Instead, instruct and expect your administration to engage in continuous contract management and service delivery improvement; rely on its well honed contract management experience; hold it accountable for those objectives; expect it to apply service delivery standards equally to in house forces and private sector; and expect it to hold the industry responsible for how it delivers those services through an accountability instrument everyone understands and is best protected through - a contract.

Respectfully submitted,
MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)



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November 3, 2015

BUSINESS CASE FLAWS
Double H Report - Observations

As noted, my name is Nicole Chabot. I am with L. Chabot Enterprises Ltd., - a construction company with diversified construction related services including snow removal services.

I am member of the MHCA Board of Directors, its Executive Committee and chair the MHCA Snow Removal Policy Review Committee.

I wish to draw your attention to the following flawed information, conclusions, observations and related in the Double H Report. This is not an exhaustive list. It serves merely to highlight reasons why we suggest that at best you simply receive that report as information, but respectfully decline to act on any of its recommendations.

They are made in point form for ease of presentation:

- CUPE hourly labor costs are on average in the range of 20% higher than those in the private sector - not accommodated for in the report.
- Snow removal services are typically a double shift sometimes triple shift event depending upon its severity - not accommodated for in the report, nor are CUPE Collective Bargaining Agreement shift premiums for evening, overnight and weekend work.
- The report makes blatantly low estimates for in-house provision, and significantly higher estimates for private provision but fails to explain either. Some of the self-performance costs are laughably low and unexplained. For example the report puts the hourly cost of operating a bobcat at \$40.95. The operator alone will cost \$30.00 per hour. And a semi at \$56.18 per hour? Under the conclusion section, all of a sudden there is \$104.00 per hour per unit for snow clearing for the private sector.
- The report cites the 2012 City of Ottawa Audit of Construction as reference for some information. The use of a report from another city when local information could be used is intriguing particularly since there are different factors at play in each city – most obviously that Winnipeg has more snowfall than Ottawa. That fact alone will generate significant differences in how things work.
- How does the purchase of 150 pieces of equipment replace the between 259-438 pieces of equipment requirement depending upon the nature of the event - not explained in the report.
- Where would the city store the equipment and at what capital and ongoing life cycle cost - not accommodated for in the report.
- The lack of capacity by industry to supply in the event of a disaster is raised as an issue but in the same breath the report is suggesting decreasing the number of machines available to the City by eliminating agreements with contracting industries. These industries currently make between 384-500+ pieces of equipment available, and the report is suggesting replacing them

with 150 in-house machines. How would this affect the City's ability to react in the event of a disaster? Unanswered in the report.

- Further as to capacity, there were no complaints of lack of capacity, response or access to the same type of equipment in the floods of 1997, 2001 and 2011 - again the report is factually wrong.
- There is competitive bidding as witnessed by the number of bidders plus exhaustive lists of hourly bid equipment - the report is simply and factually wrong that there is no competition.
- Service delivery by in-house services is acknowledged to be inadequate and inefficient at levels much lower than those of the private sector, yet massive spending is the solution to correct those inefficiencies - this failed logic at best.
- It is suggested that the City would require only three (3) mechanics to service the 150 pieces of new equipment or one (1) mechanic per 50 pieces of equipment. The average industry standard is six (6) mechanics per 22 pieces of equipment over 24 hours. Again the report is wrong and offers no rationale.
- The report suggests that an advantage to the City in purchasing equipment is having access to that equipment in a crisis but ignores that the City enjoys that access at present without having to own, store, maintain, operate, fuel, insure and find work for that equipment.
- If the City were to purchase additional equipment, existing yards don't have capacity to house it. The cost to build new facilities is estimated by administration to hover above \$45m. Is it worth the expense? What is the opportunity cost of *spending* \$45m just to house equipment? There's always a more than one cost - not accommodated for in the report.
- Most if not all of the numbers, conclusions and recommendations are based on conjecture, subjective bias but certainly not any noted, or source objective information, or reports .

I conclude by simply urging this committee to receive the report as information and instruct Administration with your oversight to work with industry to continuously improve a service which over the last 30 plus years of experience has struck a reasonable cost effective balance between in-house and contracted for services in the removal of winter snow.

Thank you.

Nicole Chabot

Nicole Chabot,
Chairperson,
MHCA Snow Removal Policy Review Committee