



June 28, 2016

**Presentation to:** Councillor Lukes, Chair  
Infrastructure Renewal & Public Works (IRPW) Committee

**And to:** Council members of IRPW

**From:** Chris Lorenc, B.A., LL.B.,  
President, Manitoba Heavy Construction Association (MHCA)

**Subject:** **Infrastructure Budget Management**

**Context**

The start of this construction season has been dismal to say the least.

With Provincial and Federal programming softer than anticipated, a weakened private sector investment market and late contract awards by the City, our industry is headed for a “Perfect Storm”.

The combined impact of all of the above is resulting in devastating consequences for our industry - which employs roughly 15,000 workers - and therefore negative impact upon the economy, as companies are:

- laying-off workers;
- not hiring at all;
- have no work beyond 6 – 8 weeks; and
- are searching for work in other provinces.

We attribute no fault nor blame to either the federal or provincial governments given that each is a recently elected government and are in transition. We do however anticipate clarification of their infrastructure budget priorities.

We are concerned that the City’s process from the timing of capital budget adoption to contract awards, requires adjustments. They are not difficult in scope, but necessary to avoid the challenges Council, administration, industry and ultimately the public, face.

Therefore, our objective today is to address the city’s process and the current construction season in that context.

**MHCA Asks**

As the 2016 season emerged, we urged the City to tender early - between November and March/ April - to take advantage of a competitive bidding period. Secondly, we asked for timely contract awards to ensure an early spring start on work the City had prioritized in its budget.

While it appeared that the City tendered early, industry concern emerged because of the inordinate amount of time to award the contracts.

In addition, as it became apparent to industry that bids were coming in between 9 – 29% lower than pre-tender estimates - and we understand the impact of additional engineering and contract administration costs which are

not part of the bid prices - we asked that the City apply any surplus to budget because of competitive bidding to additional projects from within existing, not over and above the approved budget.

This scenario is similar for example to +/- 2008-09 when City relied on MHCA advice, adopted its capital budget in November, tendered in January, benefited by competitive bidding and tendered +/- eight additional projects.

In response we were essentially advised of two things:

1. The Administration did not know if in fact it was in surplus, deficit or at budget, and likely would not know until end of June perhaps mid-July; and
2. Even if it was in surplus, the Administration had no *on-shelf designed projects* available because it has *no authority* to select projects for design, tender and award without first seeking Council approval beyond adopted programs.

At no time did the MHCA ask Council or administration to add to the program by expanding the existing budget - we just asked that the City tender early and award contracts quickly, and apply any surplus to additional projects from within existing budget.

Our requests today are simple ones which we have been asking annually:

1. **ENABLE** administration and vicariously Council - with enhanced delegated authority/resources - to make decisions where surpluses and opportunities emerge; and
2. **CONSIDER** - hopefully at your September 2016 meeting, the recommendations that we have repeated annually since May 2011, which would improve project scheduling, engineering design procurement, early tendering and timely contract awards enabling accelerated management of your infrastructure budgets in a manner which achieves your policy and budget priorities, can be considered.

Our recommendations would place management of Council adopted priorities in the hands of its professional administration and allow Council to hold it accountable, utilizing what is referred to as a '*noses in fingers out*' governance model.

In summary, the six recommendations we urge you to favorably consider are the following:

- 1.** Council should approve 150% of the construction program in November - 100% for the next and 50% of the following year's construction program;
- 2.** Upon program approval, authorize Administration to award design services to the engineering community - this helps accumulate on shelf designed projects in the cue - based upon the less time consuming and well established quality and performance based rating process - commonly known as Quality Based System (QBS);
- 3.** Target to tender and award 80% of the budgeted annual program between November and March/April. This will allow construction to start in May, thereby extending the construction season and allowing project completion;
- 4.** Permit flexibility in the scheduling of projects within the contract parameters enabling industry's ability to efficiently organize its affairs in support of Council's capital priorities;
- 5.** Orient program design preferences in favor of larger projects. For example, larger streets projects would reduce waste associated with mobilization and demobilization; enable the cost advantages of economies of scale; support design delivery efficiencies; and ultimately deliver more product per dollar; and

6. Use penalties and bonuses for late and early completion in profile projects in a balanced manner. Balancing penalties with bonus opportunity levels out the bidding process and provides more of an incentive.

### Benefits

Adopting the above six steps would *support the following political, public and budget outcomes*:

- Facilitate political project selection;
- Assist departments meeting Council priorities;
- Improve industry's labor productivity, supply logistics and program management;
- Support more competitive bidding which could result in overall cost savings due to gained efficiencies thereby further expanding the program dollar value;
- Improve program scheduling and related delivery efficiencies;
- Expand the construction season and therefore ability to complete more projects;
- Accelerate road and related construction project completion; and
- Support the delivery of Council adopted program priorities;

Each week(s) saved from 'process' adds a matching week(s) to potential summer season work in conditions far more favorable and productive than the shorter hours available in the fall.

### Report's Recommendations

As for the report's recommendations, mill and fills and TBOs require comparatively speaking little time for engineering and making them 'shovel ready.' Therefore if there is surplus and provided the City is able to tender and award quickly given the stage of the season, they are appropriate for consideration.

### Additional \$30 million?

As noted, we have asked that the City tender additional work with any surpluses to the budget because of competitive bidding. We have not asked the city to tender more work by adding to its adopted budget.

If you wish to assign \$30 million to anything, here is our advice: authorize administration using existing priorities to award project engineering and design services contracts utilizing the QBS method, so that they might be tendered in late fall 2016 for start in early 2017, thereby advantaging your budget with competitive bidding and helping ensure an early construction start in 2017.

### Conclusion

We ask that Council listen carefully to and heed the advice from the heavy construction industry to benefit your political and the public priorities in a fiscally prudent, and outcomes driven manner.

Our industry is not about spending, but rather *investing* what dollars are available to this or any other level of government to grow the economy and with resulting revenues gained, address its challenges.

The above recommendations are entirely consistent with those objectives.

Thank you,



Chris Lorenc, B.A., LL.B.,  
President MHCA  
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