



SPECIAL EDITION of

The Heavy News Weekly HEAVY CONSTRUCTION INDUSTRY IN CRISIS



**CALL TO ACTION:
EMAIL THE PREMIER,
FINANCE AND INFRA-
STRUCTURE MINISTERS
AND YOUR MLA,
ASKING THE PROV-
INCE TO:**

- RESTORE THE MANITOBA INFRASTRUCTURE HIGHWAYS CAPITAL BUDGET TO \$500 MILLION

- COMMIT TO NO FURTHER SOLE SOURCING OF ANY OF THE LAKE ST. MARTIN OUTLET CHANNEL PROJECT

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SUGGESTED LETTER**

Provincial cuts to highways budget triggers campaign to restore investment in infrastructure

The MHCA Board of Directors has approved initial steps to make the public aware of the cost — to Manitoba roads and to the economy — of the provincial government’s decision to cut the highways infrastructure budget by \$152 million this year.

“Chopping 30% from the highways budget line in a single year is unprecedented and will have severe impact on our industry and the people we employ. The board has unanimously decided that it cannot let this go unaddressed,” said MHCA President Chris Lorenc.

Initial communications with the industry and the public are part of a fuller strategy expected to be rolled out over the next months.

“We must deliver our message to the government and to the public because this directly affects their highways and it means that the economy will not grow as it should,” Lorenc said. “Repeat studies have shown that investment in transportation infrastructure has amongst the greatest effects on boosting GDP.”

The MHCA Board of Directors, at a special meeting Monday afternoon, was briefed on the discussions the MHCA has had to date with various government ministers on the budget cuts. The board is alarmed by the fact the province appears tone deaf to the cuts’ grave implications for the provincial highways, impact on the industry and lost earnings to its employees.

The highways budget was cut in 2016-17 by \$48 million to \$540 million, and again last year, to \$502 million. Both those budgets were underspent by a total of \$92 million.

This year, the budget was cut again by \$152 million, to \$350 million. Since 2016, budget cuts and budget underspending have taken a total \$330 million out of highways investment, 30% of which represents lost earnings to its workforce.

Worse still, the government decided to sole source contracts for initial work on the access road to the proposed Lake St. Martin outlet channel. The government has refused to cancel those contracts and to commit to no further sole sourcing.

“We are urging industry to email the provincial government and all MLAs to tell them exactly what this will do to their businesses, and to employee earnings,” Lorenc explained. “This is money that will not go to the pockets of hard-working Manitobans and that means money not spent in the community, at local businesses and the likes. Men and women whose earnings sustain their families will be at risk; students relying on summer work to augment their annual earnings will be disappointed. The impacts affect all levels of Manitoba’s purchasing and economic activities.”

Province must respect tender process, reverse budget cuts

By Chris Lorenc



Chris Lorenc is president of the Manitoba Heavy Construction Association mhca.mb.ca

Premier Brian Pallister has repeatedly noted in public comments that he and his government are smart shoppers, true to their Manitoba roots. But his government's decision to sole source two contracts for work on an access road to the planned Lake St. Martin outlet channel proves otherwise.

An analysis conducted by our industry of the price the government got on the two construction contracts shows the real cost of sidestepping the time-

tested process of open, competitive bidding.

Conclusion: the \$11-million price for the access road work is as much as twice what the government — taxpayers — could have got, had it tendered the work on the open market.

The Manitoba heavy construction industry was angered at the sole sourcing of the access road work, in part because this industry is hurting from repeated cuts to the highways capital budget.

That budget was reduced again in 2018-19 by \$152 million to \$350 million (from \$502 million in '17-18), an unprecedented 30 per cent chop in one year. Since taking office, the government's cuts to, and underspending of, this budget line has taken a total \$330 million out of construction work on Manitoba's highways.

Our association and industry underpins its infrastructure-investment advocacy with principles, including transparency, innovation and economic growth, all in a manner consistent with the public's best interest.

Paying up to twice the price for road-building construction that you could have got on the open market is not prudent management of taxpayers' hard-earned dollars and certainly not in the public's best interest.

We warned the government not to sole-source the Lake St. Martin outlet contracts because history shows that open-market competition drives prices down. The private sector is best placed to source their materials — equipment, fuels,

aggregates, etc. — from suppliers. The private sector can best scope a job to know where costs can be trimmed and where they can't.

Mess with the open market, and all of that falls away.

The analysis of the price the government got from the sole-sourced contracts illustrates this fact.

Pay up to twice the price for road-building construction that you could have got on the open market is not prudent management of taxpayers' hard-earned dollars and certainly not in the public's best interest.

We compared seven contracts recently awarded by Manitoba Infrastructure, including the Lake St. Martin access road. No two contracts are identical, but the seven projects are alike in nature. But that's where the similarity stops.

The contract for the access road to Gillam is perhaps closest in nature to Lake St. Martin.

The \$11.4-million project, located north of Thompson, is logistically tougher than that of Lake St. Martin, and it will see solid-rock and much more composite material excavated and more than three times the tonnage of aggregates laid down.

In total, three times the volume of work will be done — for the same price.

None of this is the fault of the First Nations (or their private partners) that received the contracts: this issue falls flat at the doorstep of the provincial government, which decided to sidestep the open tender process.

We have given government our analyses of the "mess" it made.

Infrastructure Minister Ron Schuler says the Lake St. Martin contracts were sole sourced — to two Indigenous entities, with private partners — to ensure those hardest hit by the 2011 flood receive benefit of flood-prevention work in the Interlake.

Our industry has a record of working with local and Indigenous partners, as part of tender-bid requirements. In fact, all of the comparison contracts included Indigenous involvement.

We urged the government to fully discharge the Crown's duty to consult with First Nations, even if that meant delaying the outlet project.

Lastly, we have implored the government not to repeat its mistake, to commit to no further sole sourcing of contracts. Still, we have no commitment to that.

Most years, our contractors would be far too busy right now — gearing up for the construction season — to have had the time to compare contract awards like this.

This year, heavy construction contractors are hoping to survive; equipment idles and employees await word they'll be called back for work. Our members are looking at the fact that skilled, experienced workers — many of whom



they've employed for decades — will not be called back this year, or will have their hours severely reduced this construction season.

When fully 30 per cent of construction project budgets are accounted for by wages, the ripple effect through the economy is huge.

That's what happens when the highways budget gets slashed to \$350 million from \$588 million, in three years.

No one wins when highways construction is pared back dramatically.

But it's a pity that in this brutal market, taxpayers didn't at least get the full benefit of tough competition.

Keep your promise

Industry calls for return to \$500-million highways capital budget, as PCs pledged

Manitoba's Progressive Conservatives came to power in 2016 promising financial prudence, transparency and accountability.

The heavy construction industry was hopeful — Manitoba direly needed a transportation investment strategy that transcends annual budgets and political cycles. We heard promising pledges from the Progressive Conservatives.

They committed to invest a minimum of \$1 billion annually in core infrastructure — sewer, water, highways, land drainage and bridges. And we were told their government would not underspend the highways budgets, as happened in years past. A budget made was a budget to be kept.

Further, we heard the Infrastructure minister, at the MHCA 2016 Awards Breakfast, pledge to set out Annual and Five-Year Highways Capital programs, so the industry can efficiently plan their business.

But since 2016, Manitoba Infrastructure's highways capital program has taken systematic blows.

Our industry knew the 2015/16 highways budget of \$588 million was unsustainable. We recognized that we, too, had to be part of beating back annual deficits. We accepted this government's public assurances, after drops to \$540 million ('16/17) and then \$502 million ('17/18), that \$500 million annually was a rock-bottom certainty.

Keep your promise

On March 8, we were again assured this budget line would hold to \$500 million, and reassured what was budgeted would be expended.

On March 12, however, the facts spoke otherwise. Highways capital was slashed to \$350 million — \$152 million less than 2017/18's budget, and a 35% cut in two budgets. Further, the 3rd Quarter Financial Report forecasts the highways capital expenditure for 2017/18 will be only \$436 million, not the \$502 million budgeted. So much for 'budget made/budget spent.'

The MHCA has met several times since Budget 2018's release March 12, asking that the highways capital budget line be returned to \$500 million, as promised. We've been given no such commitment to date.

And gone is the 2016 pledge to present Annual and Five-Year Capital Budget programs.

This is severe for our industry, which supports the direct/indirect jobs of 15,000 Manitobans. Wages account for 30 per cent of project costs, so a \$150-million slash in one budget cycle will see \$50 million in lost wages to our workers.

GDP growth depends upon strategic investment in highways, the arteries of domestic and global trade. We call upon the province to invest at least \$500 million annually in highways infrastructure, as promised.

This is a revised version of a commentary by MHCA President Chris Lorenc published in the Winnipeg Free Press March 16.

Industry is in crisis; government repeatedly committed to highways

- From 2016 to 2018 the highways capital budget has fallen from \$540 million to \$350 million
- Total reduction, including the under-spend of two budget years, is equal to \$330 million



MIT Comparison — highways infrastructure budgets

State of Manitoba's Highways Infrastructure Investment

The MHCA's principles for core infrastructure investment are underpinned by a **commitment to reflect the public's best interest**.

- Dramatic reductions in budget levels are injurious to that goal, and to a competitive market, which returns optimum value to public budgets.
- Sole sourcing infrastructure contracts distorts the market and cannot return best price to the taxpayer.

Consistent with the public's best interest, the MHCA sought a formal commitment on these requests:

1. Cancel the sole-sourced contracts for the Lake St. Martin Outlet Channel Access Road; commit to competitive, open bidding by industry
2. Restore MI Highways Capital in Budget 2018/19 to promised \$500 million
3. Access fully all federal infrastructure programs
4. Support Winnipeg's request for a \$182-million allocation of NBCF
5. Table Annual & Five-Year Highways Capital Program & Highways Deficit Report

To illustrate the gravity of the issues, MHCA provides the following analyses:

MI highways infrastructure budget

NDP	NDP	PC	PC	PC
Actual	Actual	Actual	Actual	Budget
14/15	15/16	16/17	17/18	18/19
\$534	\$628	\$520	\$430	\$350
		1 st Budget(B)	2 nd B	3 rd B

A \$152-million cut (30%) year over year ('17/18 to '18/19) in the highways infrastructure budget is **unprecedented**.

MIT is now only able to repair the very worst sections of roadways with cheaper, short term and less cost effective methods of repair

- Minister's Briefing Binder 2016

Manitoba... struggles with an aging transportation network that requires a significant infusion of funding to maintain the status quo service standard. The result is a backlog of preservation and replacement work throughout the province

- MI response, Management of Provincial Bridges 2016





MHCA is pleased to announce:

Breakfast with the Minister of Finance



Event Sponsor

The Hon. Cameron Friesen has accepted MHCA's invitation to be the keynote speaker on April 19 at our second 'Breakfast with the Leaders' event in 2018.



The Minister will speak to these industry priorities:

- Budget 2018 and the Highways Capital program 2018/19
- economic growth strategy and projections for Manitoba
- the role of strategic investment in infrastructure in growing the economy

The MHCA Board of Directors is urging industry to attend this breakfast to listen to, and ask questions of, Minister Friesen about the decision to reduce the highways infrastructure budget by \$152 million (from \$502 million to \$350 million) this year.

The 30% single-year cut to the highways budget is unprecedented and is a threat to the sustainability of many companies in our industry and the workforce we employ. This is your opportunity to speak to those challenges ahead.

THURSDAY APRIL 19, 2018

Doors open and registration - 7:30 am

Hot breakfast - 8:00 am

Presentation and Q & A - 8:20 am

Holiday Inn

Winnipeg Airport Polo Park

Madison B

1740 Ellice Avenue

Cost: \$35/pp (taxes incl.)

To register, please contact
Christine Miller at: 204-947-1379 or
email at christine@mhca.mb.ca

CALL TO ACTION:

EMAIL THE PREMIER, FINANCE AND INFRASTRUCTURE MINISTERS AND YOUR MLA, ASKING THE PROVINCE TO:

- RESTORE THE MANITOBA INFRASTRUCTURE HIGHWAYS CAPITAL BUDGET TO \$500 MILLION
- COMMIT TO NO FURTHER SOLE SOURCING OF ANY OF THE LAKE ST. MARTIN OUTLET CHANNEL PROJECT

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Your MLA's email address can be found here:

http://www.gov.mb.ca/legislature/members/pf/electoral_pf.pdf

**CLICK HERE FOR
SUGGESTED LETTER**