Manitoba Building Trades

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May 18, 2021

RE: REPORT OF THE STANDING POLICY COMMITTEE ON WATER AND WASTE, RIVERBANK MANAGEMENT AND THE ENVIRONMENT

1. Recommendation for the Preferred Proponent for Design Build of the North End Sewage Treatment Plant (NEWPCC) Upgrade: Headworks Facilities Project Request for Proposal No. 659-2018B and Increase in the Capital Budget

Manitoba Building Trades represents thirteen skilled construction trades unions and over 10,000 skilled trades professionals. We specialize in providing skilled labour for very complex projects. When Manitoba sets out to build high rise buildings, large industrial plants, hydro dams or hospitals, our people do the building. We specialize in building complex vertical infrastructure. The skills our 10,000 skilled trades professionals possess are an essential ingredient and a critical success factor.

The City of Winnipeg is in the process of launching the most complex and most expensive capital project in its history. Present and future Winnipeg citizens will benefit from building the North End Water Treatment Plant. They will also pay for this project for years to come.

I want to thank you for the opportunity to address the Committee this morning. There are three crucial issues we submit for your consideration.

<u>Project Schedule and Budget</u>

As the City embarks on this journey, we are also becoming aware of the South End Water Treatment Plant budget and schedule status. It is behind schedule and over budget. Significantly so on both counts.

Some four years ago, we appeared in delegation at City Council to express concerns about the award of the South End Water Treatment plant. We expressed grave reservations that the City's tender award in that instance would generate minimal local economic impacts. We also suggested that the South End project would benefit from deploying our highly skilled workforce.

Over the past four years, Winnipeg's skilled workers have seen a steady stream of out of province workers at the South End Project. Our people realized that things were not well with the project. Yet, they could do nothing to help. Our workforce has been present at every major Manitoba construction project during the past decade. With one exception; the South End Water Treatment Plant.

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We are not here to say we told you so. We are here to remind you that the skill and quality of labour used during construction will have consequences. The contractor you select will be dependent on having access to the right skills at the right time in the right place. We do not believe that happened at the South End Project, and we all suffered the consequences.

You will select a proponent today. We ask that you make sure that there is greater reliance on locally sourced skilled labour. Ask the right questions. Please ask if the labour suppliers who failed to supply the requisite skills at the South End Project will now be trusted to supply a larger workforce for a larger and more complex project. If we are going back to the same well again, we will likely draw the same bitter waters.

City Council cannot dictate who contractors will hire. And we are not asking for Council to mandate specific hiring provisions. But we do ask that you look closely into the details of how the proponents intend to secure a skilled workforce to support this project. It is often the most critical risk factor and often the most neglected. We submit our City cannot afford the same mistake twice.

Mega Project Risks

Mega projects are complex undertaking with multiple types of risks. Dr. George Jeargeas of the University of Calgary has found that mega projects are on average, fifty percent of initial approved budgets. His research found that mega project owners often focus on the wrong risks and rely on incomplete information in approving projects.

While many projects account for environmental, regulatory and financial risks, other type of risks are often misunderstood or not considered at all. The latter may include dependency, communication and labour supply risks. These factors can be crucial for project success and are often neglected or taken for granted.

Dependence risks may relate to supply chain shocks and sequential task reliance whereby a delay in a preceding task can create a butterfly effect for succeeding tasks. Managing and mitigating dependence risks requires a high level of agility and oversight by the project management team including full communication and information transparency for the project owner. If things are going wrong, the project owner cannot be the last to know.

One of the most overlooked and assumed aspects of mega projects is the sufficiency and timeliness of labour skills. Slight variations in required skill quality and volume can result in the realization of dependency risks that can drastically extend project schedules and associated budgets.

Most mega project calls for proposals and tender submissions fail to address labour supply planning and risk mitigation to a few short paragraphs. We expect that to be the case for Winnipeg's North End Water Treatment project.

If Winnipeg is to avoid the adverse outcomes that afflict virtually all mega projects on a global basis, we recommend that it take a step back and ask very hard questions about what drove its South End project off schedule and over budget. And we strongly recommend that it look very closely at labour supply plans for the much larger North End project.

Community Benefits

For the past three years, a coalition of Winnipeg organizations has worked with the City to adopt a community benefits framework for civic procurement and construction. CBAs create meaningful opportunities for local business and residents to benefit from public sector projects. It is how smart cities invest in their citizens.

The City has already allocated over $700 million in public funds between the North and South end projects. We regret that these funds represent a missed opportunity.

While the City is working on a CBA framework, some of the largest projects in our history are becoming missed opportunities as there are no CBA provisions. These projects are a once in a lifetime opportunity, and in each case, people who live, work, play and invest in our community are left on the sidelines.

We made this exact submission before Council four years ago. Our fears were founded. The South End project was home to many temporary workers who took paycheques home to other provinces. If that workforce had succeeded in delivering on time and within budget, we would be applauding. But it did not, and now, we all bear the consequences.

We support the May 17th Standing Committee Recommendations, specifically item 6:

> That the Winnipeg Public Service be directed to report back to the Standing Committee at its June 29, 2021 meeting with a labour force estimate from the proponent and the public service for the design build phase.

It is our view that this information will be critical for the public service to identify the extent to which labour supply is a material risk to the project and better match these numbers with current and project local workforce availability. This will result in appropriate labour oversight and ensure this mega-project will indeed have the greatest local impact.

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Further to this, it is our recommendation that an expert advisory committee be formed to assist the public service and the City of Winnipeg as project owner through the tender award and into the design build phase. As stated, this will be the the most complex and most expensive capital project in the cities history – it should be treated as such to ensure taxpayer dollars are managed appropriately with the most experienced oversight.

I hope our comments are taken constructively. We do not intend to criticize but help build a better system and create better outcomes for the City and province we call home.

Sincerely,



Sudhir Sandhu
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