



HARD INFRASTRUCTURE, HARD TIMES :

Worker Perspectives on Privatization and Contracting out of Manitoba Infrastructure

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Executive Summary

FOR SEVERAL YEARS the Manitoba government led by the Progressive Conservatives (PCs) has been pushing hard to reduce the number of government workers, while transferring work and contracts to the private sector. Privatization is controversial, and for good reason, with many disasters that have harmed individuals and communities. The privatization of the rail line to Churchill and the associated year-long closure, the Phoenix federal government payroll contracting out disaster, and the Walkerton tainted water tragedy are some of the more prominent examples. In addition to a decline in service quality, contracting out to for-profit providers is also associated with worsening working conditions for workers and reduced accountability to the broader public.

This report examines the push for privatization and contracting out of design and maintenance of Manitoba's infrastructure and transportation services. The report focuses on gathering the perspective of government workers currently delivering those services. We received completed surveys from 124 workers and did 13 follow up-interviews, representing approximately 10% of the workforce. These workers are or were responsible for a variety of tasks such as highway and bridge maintenance, including snow clearing, capital project planning and delivery, road safety and enforcement, including regulation of trucking, maintenance of the provincial vehicle and equipment fleet, operation of water structures and ferries, as well as winter roads.

Short-staffing Jeopardizing Public Safety and Leading to Burnout

What we heard from workers is consistent with what the Manitoba Government and General Employees' Union has been saying on behalf of workers since these privatization efforts began, and should be of concern to all Manitobans who care about getting value for public dollars spent, the safety of our highways, and the condition of public infrastructure assets across the province. Workers reported dramatic short-staffing and a refusal to fill vacancies, putting public safety at risk, with the infrastructure department losing one-third of its staff complement since 2016. Lack of staff was then used to rationalize the selling off of assets, leaving those remaining without the equipment needed to do their jobs. Workers also reported that training offered for employees has also been reduced or eliminated. As one worker put it "they are just setting us up to fail". This has led to extremely low levels of morale, high levels of burnout, and, despite a strong commitment to public service, workers questioning their future with the Province.

Reduction in Quality of Service and Assets Predicted

A large majority, 72%, believe the proposed and ongoing changes to Manitoba Infrastructure services' delivery model and policies will lead to a reduction in the quality of service delivered, and approximately the same amount believed that asset quality would be lower after the changes. Seventy-five percent of workers surveyed questioned the impact these changes would have on public safety, with 55% believing the safety of Manitobans would be compromised. Worker safety was also a concern, with almost 70% of the workforce feeling that worker safety was in jeopardy, with 45% believing it would worsen.

Higher Costs Expected for Taxpayers

Despite cost savings being the often-noted motivation for contracting out, based on the workers' experience so far, 73% of workers expected the costs to rise, and a similar percentage thought the value that government gets for taxpayers' money will fall. Workers provided many examples of private sector contractors delivering substandard work, requiring constant policing by government staff and in many cases having to redo the work.

Civil Service Expertise Ignored and Workers Shut Out

The workers in our sample had more than 12 years of employment on average with the province and a wide array of technical credentials and hands-on experience. Over 85% of employees disagreed when asked if they had been

consulted on the changes. As one worker put it, decisions were just “jammed down our throats”. Some even described instances of threatening or bullying behaviour, with one group of workers being told by a senior official “I’m driving the bus, you either get on it or I’ll run you over”. Instead of consulting its own staff, the government appears to be relying completely on outside multi-national, for-profit finance and accounting firms with track records of promoting and profiting from privatization.

Results Consistent with Earlier Studies

The negative views of workers are consistent with recent academic studies on the subject. Despite being popular in the 1980s and 1990s, more recently the pace of contracting out has slowed in response to privatization failures. The returning of contracted out services to public delivery is also increasingly common. There is now a general consensus that the quality of publicly delivered services often exceeds that of private provision, and more recent studies suggest cost savings are generally minimal.

Manitoba Ignores the Evidence

Manitoba however has not learned from mistakes made in other jurisdictions, pursuing rapid and indiscriminate reductions in the civil service and the privatization and contracting out of government service delivery. None of the employees interviewed saw any evidence of the government conducting an informed internal analysis to find ways to improve on program efficiency, something that is done regularly in progressive public sector agencies. Reviews and restructuring initiatives are important to help maintain and improve the relevance and effectiveness of public services, but public administration scholars suggest governments should be just as open to contracting services back in as a means to achieve high quality in a cost-effective manner.

Long Term Negative Consequences

Manitoba’s exercise appears to preclude the possibility of such improvements, with reforms being dictated by ideology as opposed to rigorous analysis. The politically-led strategy, according to workers, has been to starve the public sector, refuse to fill vacancies, and eliminate training and performance planning. The destruction of internal capacity built up over decades will be costly and challenging to undo, and the longer it continues the more resource intensive it will be to rebuild. Manitobans, along with public sector workers, are already paying the price.

Introduction

SINCE 2016, THE Manitoba government has been in the midst of a multi-year push to privatize and contract out the provision of public services, including in the areas of infrastructure and transportation services. Privatization and the contracting out of public services have long been controversial, particularly when it comes to essential services such as transportation, infrastructure, and emergency services. These are critical government services that, if disrupted or undermined, can have tragic results for individuals, families and communities.

Privatization reforms can evoke intense and polarized conflict over the respective benefits and drawbacks of private sector delivery of public services. Typically, the business sector, along with their representative associations and aligned political parties, line-up in favour while public sector unions and other pro-labour organizations and defenders of universal access to public services line up against. There is good reason for such conflict, as the stakes can be high. On the business side, privatization and contracting out can lead to lucrative market opportunities for those who are well-positioned to take advantage of them, given the nature of public services and the often-limited markets that exist. Privatization and contracting out on a large scale in a region, by shifting work from the public sector to the private market, also transfers power from workers and citizens to private businesses. While good for business owners, this often reduces job and service quality, increases inequality, and undermines democratic accountability.

There are many local and directly relevant examples to the current infrastructure and transportation privatization push in Manitoba that illustrate the potential negative impacts. The privatization of the rail line to Churchill and the associated port led to a private company shutting down operations for over a year when repairs to the track were deemed too expensive.¹ This left the community without essential supplies and passenger service, devastating the tourism industry and local economy.² Federal government employees are also intimately familiar with the Phoenix payroll contracting out disaster that disrupted the pay of workers for extended periods, leading to financial hardship, including increased debt, bankruptcies, lost homes, drawn out grievances and the need for additional compensation.³ One of the most tragic examples is the Walkerton tainted water disaster where the deregulation and contracting out of drinking water testing led to the deaths of seven people and 2300 infections.⁴ The contracting out of highway snow clearing in Ontario also led to poorly maintained and dangerous driving conditions, increasing the risk of fatalities.⁵

Cost reductions or narrowly defined efficiency improvements are usually central to the rationale put forward by privatization proponents. In the 1980s and 1990s, in a context of resurgent corporate influence and popularization of anti-government and pro-market sentiments, these pro-privatization arguments gained support. Proponents were successful in convincing governments in countries like Canada and the United Kingdom to privatize extensively and rely more heavily on markets and for-profit providers of services.

A number of challenges were raised against blanket claims of private sector superiority, and more recent empirical studies of privatization have shown that initial enthusiasm in the 1980s and 1990s regarding the efficiency benefits of privatization were overly optimistic. By the 2000s and 2010s the pace of privatizations slowed, and there even arose a pullback. The response to privatization failures was a repatriating of public services: a pattern of returning a previously privatized and contracted out service to public control, resulting in a new equilibrium.

Manitoba, however, has recently been an exception to this relative calm on the privatization front. The province is currently governed by the Progressive Conservatives (PCs), who have held majority control of the Manitoba legislature since 2016. Led by Premier Brian Pallister, the PCs were elected after 17 years of NDP rule and pursued an aggressive agenda of reducing the size of government. Based on election commitments to both reduce the deficit and taxes, a broad austerity agenda has been their central governing ethos. The PCs have pursued a strategy of freezing funding or budgeting

small increases insufficient to keep up with inflationary pressures, while overachieving on in-year budgetary reduction targets.⁶

Part of this agenda has involved rapid reductions in the size of the civil service and the privatization and contracting out of government service delivery.⁷ This has occurred in a variety of service areas including home care, air ambulance services, road and bridge maintenance, conservation services, provincial park campgrounds, wildfire suppression, public housing, and social services more broadly through social impact bonds.⁸ Many of these privatization proposals have been developed using large private sector, for-profit accounting and business advisory firms, with track records of endorsing and facilitating privatization and promoting the interests of the wealthy.⁹

This report documents the implementation of this privatization and austerity agenda in the Manitoba Infrastructure (MI) department and the Vehicle and Equipment Management Agency (VEMA), of which MI is one of its largest client departments. In November 2017, the Government of Manitoba announced a review of MI and VEMA delivery models and policies. The ongoing work included embedding a private consulting firm, PriceWaterhouseCoopers (PwC), in MI to develop options and recommendations for a new service delivery model that is “modern, flexible and adaptable” and calling for “right-sizing public ownership, investment, and maintenance”.¹⁰

Despite these plans to significantly change the organization, along with a noticeable reduction in staff, very little has been shared with employees. Since the initiation of this review, some services previously delivered by public sector workers, such as highway and bridge maintenance, have been contracted out to private for-profit operators, and the staff complement of Manitoba Infrastructure and VEMA has been significantly reduced. MI employees have seen a number of changes but the government has not provided any indication about the immediate and longer-term plans for service delivery. This has left employees uncertain of their futures and concerned about the quality and cost of MI’s services, and ultimately the safety of Manitobans.

Given the lack of publicly disclosed information regarding the reforms, our main method of data gathering was through interviews with government workers, promoted by but conducted independently of the Manitoba Government and General Employees’ Union (MGEU). This report proceeds as follows: After a brief note on terminology, we proceed with a background section that summarizes the activities and characteristics of MI and VEMA, the reviews undertaken since 2016, the overall direction of the current government’s proposed changes and a review of other jurisdictions that

have contracted out or privatized infrastructure related services. Section 3 presents a jurisdictional scan of three similar highway privatization initiatives in other provinces. Section 4 presents our main findings based on a survey and interviews with MI and VEMA workers. For those primarily interested in hearing the results of interviews with workers, these main results, starting on page 35, can be read independently of the rest of the report. Section 5 presents an academic literature review on the topic of privatization and contracting out, and situates the results from our survey and interviews with workers.

Note On “Contracting out” Versus “Privatization”

Privatization and contracting out are terms that are often used interchangeably for the transfer of services delivered by government to delivery by the private sector. Privatization, however, occurs along a spectrum, with full privatization leading to both private delivery and consumers being required to purchase directly from the private sector. For example, when the Filmon PC government privatized Manitoba Telecom Services, Manitobans had to purchase telecommunications services from the private sector where previously they faced lower rates paid to a public utility. Some reserve the term privatization for this full privatization of both provision and purchasing. Contracting out also involves the substitution of private for public sector workers, but with contracting out the government still maintains the responsibility for procuring or commissioning the service, although some cost recovery may take place through user fees, licensing requirements, or other charges. We use ‘privatization’ inclusively in this report to encompass contracting out, but in some cases, we use the phrase “privatization and contracting out” for clarity or emphasis.

Background

THE GOVERNMENT OF Manitoba's Infrastructure Department is an important contributor to public safety and economic growth in the province through development and management of the province's vast infrastructure network and the development of transportation policy and legislation. The department delivers a wide range of programs and services including motor carrier safety and regulation enforcement, carrier permits and the development and implementation of sustainable transportation initiatives.

History of the Department

The Infrastructure Department is one of the original Manitoba government departments, although in its early years it was combined with agriculture responsibilities in the Department of Public Works and Agriculture.¹¹ As a new province focused on growth and advancement, the development and maintenance of roads, bridges, ferries and related services, and regulatory activities, such as the prevention of wildfires, were of great importance. In 1874, the department was divided into two independent departments and the standalone Department of Public Works (DPW) was formed. The work of the department gradually expanded as the province's population grew, with the DPW eventually being responsible for construction, maintenance, and repair of all provincial public works in the province. This included not only provincial roads and government facilities but drainage projects and

culverts, construction of schools, grain elevators and other government buildings along with the expansion of the highways system. The proper maintenance of this infrastructure became increasingly necessary with the influx of new settlers. By 1968, the mandate of the department had grown to include “design, construction, acquisition and maintenance of government buildings and property, the procurement and maintenance of government vehicles and equipment and the delivery of postal, printing and information services to government” and was appropriately renamed Government Services, and later the Department of Highways and Government Services.¹² Throughout the second half of the 20th century, the department would undergo changes dividing the responsibilities for public works and highways into two separate departments. By 1999, these responsibilities were brought together again under the Manitoba Highways and Government Service portfolio. It was renamed Manitoba Infrastructure and Transportation (MIT) in 2006. This name remained until 2016 when the incoming government of Premier Brian Pallister undertook a significant makeover of Cabinet, reducing the number of Ministers from 19 to 12 and shortening the name to Manitoba Infrastructure (MI).¹³

Current Services

MI is responsible for the operation and maintenance of all transportation infrastructure in the province. This infrastructure is a key component of growth and productivity as it connects and supports a network of products, human resources and capital vital to the economy. The province’s transportation infrastructure includes 19,100 kilometres of structural pavement, asphalt surfaces and gravel roads, 2,200 kilometres of winter roads, 1,800 bridges, 13,000 culverts, 4,750 kilometres of drains, 90 dams, 61 reservoirs, 41 pumping stations and 22 northern airports.¹⁴ The department is also responsible for monitoring the safety of the province’s roads and highways through the commercial and vehicle safety programs. In this capacity, annually, the department is responsible for monitoring the safety of over 19,000 commercial vehicles, tracking over 64,000 vehicles, and issuing thousands of performance rating letters and safety fitness ratings. In addition, MI “is also responsible for the delivery of several transportation and infrastructure-related services or programs such as air ambulance flights, water bomber operations, property management, procurement, material distribution, fleet vehicles, Crown Lands stewardship, mail management and government building security” and is

mandated to maintain 24/7 readiness to respond to major emergencies and disasters and to provide a coordination function for multi-division responses through the Manitoba Emergency Coordination Centre.¹⁵

Some of MI's functions are shared with other departments or have been contracted out. Central Services, a department created in 2019 to focus on modernization, is responsible for “procurement, Information Technology (IT), and capital management”.¹⁶ The Department of Justice is responsible for building security, and air ambulance flights and water bomber operations have been contracted out to private companies.¹⁷ With this broad range of assets, infrastructure and emergency management, the department is largely responsible for safety and security of persons and government property across the province.

Continual Restructuring

Since 2016, the department has undergone continuous and significant changes. In 2018, the department underwent a significant reorganisation by reducing five divisions down to four. The four divisions that made up the department in 2018 were: Corporate Services, Emergency Management & Public Safety, Engineering & Operations, and Water Management & Structures Division. In March 2020, the department restructured again and was organized under Corporate Services, Infrastructure, Capital Projects, Technical Services & Operations, and Emergency Management. In 2021, the organization structure changed yet again. Although there continue to be four divisions they are now organized as Corporate Services, Emergency Management, Technical Services & Operations, and Infrastructure — Capital Projects.¹⁸ Of notable absence is a “highways” department. The technical aspect of highway maintenance is now called Road Safety and is under Technical Services and Operations. Maintenance of highways is no longer listed explicitly in organizational charts but appears under the responsibilities of Technical Services and Operations in the most recent government estimates documents.¹⁹

Corporate Services

Corporate Services is responsible for: Corporate Strategy & Planning, Finance & Administration, Health & Safety, Information Technology & GIS, Policy, Program & Regulation and a new function, Issues Management. The division is led by a newly appointed Assistant Deputy Minister. The division's responsibilities have not changed significantly since 2016, except for the addition of

Issues Management. This function includes “prioritize[ing] and proactively address[ing] public policy, operational and reputation issues that can affect the public trust, by identifying, tracking, and influencing citizen-centered service delivery within legislative and regulatory responsibilities”.²⁰ In 2019 the “Crown Lands & Property Agency” was no longer listed as a responsibility in the division. Corporate Services had 180.0 FTE positions and operating expenditures of \$11.0M in 2019/20.²¹

Emergency Management

The Emergency Management division of MI is currently the smallest division and has undergone some significant changes over the past four years. The division dropped the *public safety* moniker in its title and has shrunk considerably now only having responsibility for Preparedness & Response and Recovery & Mitigation. Initially reflecting its lessened responsibilities and profile it was led by an Executive Director rather than an Assistant Deputy Minister, but recently this individual has been promoted to ADM status.²² Motor carrier responsibilities are no longer listed under the division and Road Safety and Permits & Approvals have been moved to the newly formed Technical Services & Operations division. The focus of the division is now on the Emergency Measures Organization. As indicated in the 2020 annual report, the focus of these activities was to “provide risk-based information to government decision makers to ensure effective provincial preparedness for and response to disasters, build initiatives and programs that incentivize municipalities and the public to prepare for and mitigate against all hazards.”²³ Some of the highlights from the 2019–2020 annual report include: maintaining the Manitoba Emergency Plan; coordinating the Manitoba Emergency Management System during 2019 which included a spring flood, fall flood, a wildfire season and a severe weather event.²⁴ The division also: held workshops for improving the capacity of municipalities to prepare for, respond to and recover from emergencies and disasters; led changes to the disaster financial assistance program and established the spring flood and severe weather event financial assistance programs.²⁵ Emergency management and public safety, prior to restructuring and the loss of public safety, had 97 FTE positions and operating expenditures of \$17.1M in 2019/20.²⁶

Technical Services & Operations

This division oversees a number of activities including Engineering Services, Environmental Services & Consultation, Hydrologic Forecasting and Water Management, Regional Operations, Permits and Approvals, and Road Safety. The earlier iteration of this branch, the Highways, Transport and Water Management Programs, prior to restructuring, had 475 FTE positions and operating expenditures of \$32.0 M in 2019/20.

Infrastructure – Capital Projects

This division of Manitoba Infrastructure is responsible for asset management & performance, capital planning, category procurement, major projects, projects administration, projects centre of excellence, and tendering and contracts. All of these are new activities of the department not listed in previous organizational charts. The infrastructure works branch, prior to restructuring, had 1,208 FTEs and a budget of \$147.7M.²⁷

MI's Employees

The civil service plays an important role in the management of public expenditures and revenue and in the execution of a government's mandate. Prior to being elected in 2016, the Progressive Conservatives said they would reduce the deficit “through a review of government programs” and “smart shopping for goods and services by putting more contracts up for open bidding.”²⁸ In the Throne Speech marking the 3rd session of the 41st Manitoba Legislature, Premier Brian Pallister provided additional details of his plans by announcing a new “public service transformation strategy” as well as intentions to reduce the “spans and layers of senior management.”²⁹ This has resulted in a significant decline in the number of employees in the public service, including in MI, with the number of positions falling by approximately 17% between 2016 and 2020, and significant turnover in senior management. From 2016–2020 there were three different deputy ministers and by 2020, none of the original Assistant Deputy Ministers (ADMs) who started with the department in 2016 remained. The most tenured Assistant Deputy Minister has only been an ADM since 2018.

Table 1 details the changes in the number of employees in the civil services and the MI for each fiscal year from 2015/16 to 2019/20.³⁰

TABLE 1 Number of Civil Service Employees as of March 31 of each year

Fiscal Year	Number of Civil Service Employees	Change	% Change	Number of MI Employees	Change	% Change	Infrastructure/ Total Civil Service %	Infrastructure Change/Total Public Service Change
2015/16	14,876			1903			13%	
2016/17	14,162	-714	-4.8	1709	-194	-10.2	12%	27%
2017/18	13,721	-441	-3.1	1645	-64	-3.7	12%	15%
2018/19	12,839	-882	-6.4	1425	-220	-13.4	11%	25%
2019/20	12,371	-468	-3.6	1267	-158	-11.1	10%	33%
Total		-2,505	-16.8		-636	-33.4		

Source Number of Civil Service Employees as of March 31 of each year.

There are several interesting points *Table 1* reveals. First, the public service has been shrinking every year starting in 2016/17 by approximately 4.5% per year since 2015/16. The trend towards a smaller public service is a government-wide initiative, however MI appears to have been affected more than other departments. Comparatively, the number of employees with MI have decreased on average 9.6% per year, with the greatest decrease happening in 2018/19 when the department lost 13% of their workforce. From 2015/16 to 2019/20, the civil service lost 17% of its workforce while MI lost 33%. Despite making up between 10%–12% of the total public service, the annual position losses in the department make up between 15% and 33% of the total job losses by the public service. This equates to a total reduction of 636 positions with MI since 2015/16 or an expenditure reduction in direct employment costs of approximately \$67.5 million.³¹ Although some of these positions may have been transferred to different departments within government, overall, the department has seen a loss of one-third of its employee complement. Comparing the number of public servants on March 31, 2020 (1,267) to the total full-time equivalent (FTE) positions reported in the 2019/20 annual report (1,863.3) suggests that in addition to these cuts almost 600 positions have been left vacant.

Almost 600 positions have been left vacant.

MI's Annual Expenditures

Each fiscal year, MI publishes an annual report to provide information on the department's objectives, actual results achieved, and financial performance and variances. Included in the financial information are the estimated operating expenditures for the fiscal year as well an expenditure summary for the

TABLE 2 Annual Estimates and Actual Expenditures (\$000s)

Fiscal Year	Estimate	Annual % Change Estimate	Actual	Budget – Actual	% Change Actual
2015/16	560,011		588,350	-28,339	
2016/17	626,689	-11.9	656,882	-30,193	11.6
2017/18	682,361	-8.9	646,905	35,456	-1.5
2018/19	646,656	5.2	629,847	16,809	-2.6
2019/20	649,175	-0.4	709,325	-60,150	12.6

Source Manitoba Infrastructure Annual Reports, various years, and authors' calculations.

reporting year and the previous year. *Table 2* presents data on estimated and actual expenditures for 2015/16 to 2019/20.³² The actual expenditures include expenditures for: administration and finance, highways and transportation programs, infrastructure works, emergency measures and protective services and costs related to capital assets.

The Government's target growth rate for annual expenditures increases is 3%.³³ Since 2015/16 estimates from year to year have not aligned with the targeted growth rate and there has consistently been large variances between budgeted and actual expenditures. In recent years the budget increased by less than the targeted 3% with the budget decreasing by 5% from 2017/18 to 2018/19. Budget increases far exceeded the targeted 3% from 2015/16 to 2017/18. Comparatively, actual expenditures exceeded budgeted expenditures in 2015/16 (\$28M) and 2016/17 (\$30M) and increased by 12% year to year. The variance from budget continued in 2017/18 and 2018/19 with actual expenditures less than budgeted expenditures by \$35M and \$16M respectively. The most recent data available at the time of writing was 2019/20. In this fiscal year actual expenditures exceeded budgeted expenditures by \$60M with actual expenditures increasing by 13% from 2018/19.

Vehicle and Equipment Management Agency (VEMA or "the Agency")

In 2015/16, VEMA was transferred from the Infrastructure and Transportation Department to the Finance department and as of 2019, is in the department of Central Services.³⁴ VEMA provides acquisition, management and disposal service for both heavy duty and light duty vehicles and equipment. Its fleet of vehicles and equipment is one of the largest in Manitoba. It provides

services to Crown Corporations, departments and agencies in the government with Infrastructure being its primary customer. VEMA operates outside the Consolidated Fund under a Special Operating Agencies Financing Authority which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities. VEMA is mandated to be a breakeven or modest net income operation.

In the 2015/16 annual report, the fleet of light duty, heavy duty vehicles and equipment, ambulances, and miscellaneous units and attachments totaled 5,462 units.³⁵ By 2019/20 the fleet had shrunk to 4,838 units including light duty vehicles (49%), heavy duty vehicles and equipment (43%), ambulances (5%), and miscellaneous units and attachments (3%). Over this period the expenditures and staff complement of VEMA have shrunk significantly, with expenditures falling from \$86.7M to \$82.8M and staffing falling by at least 33 workers, approximately 20% of its workforce. As of March 2020, VEMA was staffed by 122 employees leaving almost over 40% of its 204 approved positions vacant.

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KPMG Fiscal Performance Review

Reducing the size of the public service has been a primary objective of the government since the election of the Progressive Conservatives in 2016. Soon after the PCs were elected in April 2016, they engaged KPMG, a professional services and accounting firm, to undertake a Fiscal Performance Review. The purpose of the review was to “identify opportunities to eliminate waste and inefficiency and improve the effectiveness with which government delivers results for Manitobans.”³⁶ The review looked at approximately \$7.3 billion of the province's spending.³⁷ A Fiscal Performance Review Framework was developed to evaluate government programs and spending and, it was suggested, the framework would “help to instill a culture of fiscal discipline and continuous improvement within the public service.”³⁸ The findings and recommendations were reported in two phases. Phase one, published in September 2016, identified the current state of operations, outlined the fiscal performance review framework, and identified opportunities for cost improvement. Released in January 2017, phase two outlined a strategy and change management plan for realizing potential short- and medium-term savings in targeted areas. The plan was offered as a mechanism to achieve “better control over Government spending, better value for money and allocation of financial resources without adversely impacting front line

services.”³⁹ Although the initiative would span all of government, MI was one of four departments which KPMG suggested would require “significant transformation” for the government to meet its commitments.⁴⁰

In KPMG’s assessment of the current state of MI they noted that the department’s budget was exceeding the annual 3% target. In 2016/17 the budget for operations increased by 3.3% for operations and 4.9% for capital assets.⁴¹ Of this, the report found that amortization and interest on capital assets accounted for 60% of the annual spend and almost 30% related to infrastructure works, primarily maintenance and preservation of provincial roads. KPMG found that, relative to other departments, MI had a high average cost for managers, professional and administrative staff and significant overtime costs.⁴² They reported that the department lacked value for money or project performance assessments and concluded that reducing costs would require a multi-faceted approach including: a strategy for asset rationalization, a government-wide infrastructure plan, a better balance between new capital spend and necessary maintenance spend and a new amortization policy.⁴³ KPMG suggested the government should consider “alternative delivery options” and offered that in other jurisdictions, activities such as maintenance services had been successfully outsourced to the private sector.⁴⁴ Finally, they suggested a review to evaluate the efficiency and effectiveness of different options for ownership where “the Government does not necessarily need to own and where ownership does not impact front-line services”.⁴⁵

A Fiscal Performance Review Framework was offered to assess spending across the government in a systematic way, based on a results-based approach aimed at evaluating alignment with desired outcomes, transparency and accountability, as well as broader transformative changes and government wide objectives.⁴⁶ The framework was intended to have multiple uses including to measure effectiveness, efficiency and value for money; to inform business case and service delivery method or model analysis; to measure program and policy outcomes and performance; and to assist with performance-based budgeting. KPMG suggested that applying the framework in a consistent and systematic way would result in changing the fiscal culture and spending of government.

KPMG identified 12 areas where there were opportunities for immediate and medium-term cost improvements that could result in savings.⁴⁷ A steering committee identified six areas for a cost improvement initiative. The phase two report outlined the business case, options and a change management strategy for these areas and anticipated potential cost improvements in excess of \$50 million for 2017/18.⁴⁸ Of the six areas identified, three in particular

impact MI operations: Rationalization from Reorganization, Procurement Modernization, and Capital Project Management and Delivery.

Rationalizing from Reorganization

Rationalizing from Reorganization was offered from the outset of the project as a necessary component of any cost savings strategy. Saskatchewan was endorsed as an example of successfully reducing the size of the civil service. It was noted that over a four-year period the size of Saskatchewan's civil service shrunk by 15% by: "eliminating vacancies and taking advantage of natural attrition wherever possible, as well as opportunities to eliminate programs and services no longer relevant for delivering desired results and opportunities to shift focus from service delivery to service regulation and oversight (i.e., partnerships and alternative services delivery)".⁴⁹ KPMG estimated the potential for immediate savings of \$15M in year 1 and \$20M in year 2 by reducing the public service by 8% phased in over four years.⁵⁰ A number of strategies were offered to achieve this including flattening management, an overtime reduction strategy, identifying annual reduction targets and strategies, elimination of distinct offices and secretariats, and centralization of services that have representation in departments such as IT and finance functions. However, there was no apparent rationalization for determining which positions should be eliminated or not filled.⁵¹

Procurement Modernization

Another area that offered immediate savings was Procurement Modernization. KPMG criticized the existing procurement model as inefficient because of its decentralized nature. Instead, they recommended moving to a hybrid model. Procurement would be led by a centrally controlled agency, the Procurement Services Branch (PSB), that would "coordinate strategic sourcing and category management with departments retaining ability and resources to conduct unique procurement and contracts."⁵² The new PSB would focus on supply chain management and strategic sourcing with a focus on delivery results and performance. KPMG identified this shift in procurement practices as another step necessary to achieve savings and bring procurement spending under control. An estimated \$5M in savings could be achieved in 2017/18 and an additional savings of \$10–\$15M in 2018/19.⁵³ VEMA specifically was also identified as an area where outsourcing of heavy vehicles, equipment and services may result in better value for money.⁵⁴

Capital Project Management and Delivery

Capital Project Management and Delivery was an area suggested where medium term savings could be achieved. KPMG found that government lacked a whole of government coordinated approach to the planning, management and delivery of capital projects. A number of measures were suggested for improvement in the area including standardizing and formalizing a business case for investment, evaluating projects based on a standard set of criteria (i.e., return on investment, alignment with government priorities, and facilitating trade and commerce) to prioritize for investment, and improving project review and rationalization.⁵⁵ An exercise of asset rationalization was also suggested. This involved an exercise to transfer or eliminate assets that were determined not to be aligned with service and performance measures.⁵⁶ Finally, it was recommended that a standardized, formalized and centralized approach should be utilized for specialized functions such as project management.

PriceWaterhouseCoopers (PwC) Review

In 2018, with the assistance of PwC, one of the “big five” large multinational business advisory and accounting firms, an extensive review of MI was undertaken. One of the review’s key objectives was to “determine the province’s ideal level of public ownership.”⁵⁷ The Request for Qualifications outlined a three-year time frame to complete the comprehensive transition process map and change management strategy.⁵⁸ PwC was directed to identify what services Manitoba Infrastructure (MI) should be delivering as its core services and how the department can support a service delivery model for other activities.⁵⁹ Three overarching goals were identified: improve effectiveness, align internal business functions, and execute a future state business model. The project was intended to further the government’s vision to streamline services delivery, spend smarter, get value from infrastructure spending and modernize procurement.⁶⁰ PwC hosted a number of open houses in spring-summer of 2018 but little other consultation has been undertaken, and no substantive updates or results have been shared with staff.

There have been a number of changes to the department over the past three years that may provide some indication of the future of MI. These include an initiative to modernize traffic and transportation in Manitoba, privatization of government air services, modernizing the motor carrier permitting and application system, planning for moving responsibility of the Marine Assets

and Northern Airports to First Nations, contracting out work of the Special Operations group to private contractors, and an increase in the number of contracts awarded for snow clearing from highways in recent years.

Modernizing Traffic and Transportation in Manitoba

Effective March 1, 2019, Bill 14, The Traffic and Transportation Modernization Act, replaced various acts and regulations as part of a new regulatory framework. It made significant changes to how traffic and transportation are regulated in Manitoba including:

- eliminating the Highway Traffic Board and the Motor Transport Board
- allowing municipalities and local authorities to set speed limits on municipal roads in their communities
- streamlining vehicle classifications to increase flexibility of commercial vehicle use
- clarifying and modernizing vehicle equipment standards
- streamlining the process to request a speed limit change on a highway
- improving permit application processes for access roads, signs and structures
- opening up the commercial bus industry while ensuring safety

The government promoted the changes as part of their “commitment to reducing red tape, reviewing agencies, boards and commissions, reducing duplication and inefficiencies, and giving municipalities a fair say, while not compromising public safety on Manitoba roads”, while stating it would “increase transparency of information and improve client service”.⁶¹

Privatization of Government Air Services

A move to privatize Government Air Services, a division of Infrastructure, began in 2018.⁶² By June of 2019, after a phasing out of all services, all operations were transitioned to a private carrier contract model and all aviation operations by the government were ceased. The process started with contracting out fire suppression in 2018, followed by general transport services in early 2019.⁶³ This was followed by air ambulance and LifeFlight, the emergency Medevac services, in September of 2020.⁶⁴

Modernizing Motor Carrier Permitting Application System

In March 2021, the province announced the launch of a new web-based automated routing and permitting system for motor carrier permits. The new system called Manitoba MOOVES (Moving Oversize and Overweight Vehicles Efficiently and Safely) allows carriers to self-issue permits 24 hours a day 7 days a week. The system automates routing for oversize and overweight loads and allows permits for temporary trips, temporary fuel permits, oversize up to 3.7 metres wide, 4.6m height and 21m long and overweight permits up to 60,000 kilograms gross vehicle weight and includes permits for the Province of Manitoba, City of Brandon and City of Winnipeg.⁶⁵

Northern Airport and Marine Operations

Manitoba has 22 public-use airports providing transportation services to Indigenous communities across northern Manitoba. Each of the 22 airports has a crushed rock/clay runway with runway lights. For some communities, the airport is the only year-round access and provides the quickest and safest transport of essential goods, services, and passengers to and from the community. Annually, these airports see more than 5,000 Medevac flights, over 50,000 aircraft movements, and move more than 200,000 people and 12,000 tonnes of freight.⁶⁶ There are also four marine sites providing ferry services to over 200,000 passengers and 100,000 vehicles annually.⁶⁷ In 2018, the Government cut just over \$2 million in funding for northern airports and marine operations affecting snow clearing and maintenance and negatively impacting safety at these airports. This move was met with resistance from First Nations calling on the government to reverse “appalling and unacceptable” cuts.⁶⁸

Shortly thereafter, the Assembly of Manitoba Chiefs and the Government of Manitoba were in discussions for an Memorandum of Understanding that would begin the transition of ownership and operations of these airports and marine operations to First Nations in Manitoba.⁶⁹ The MOU, signed in February of 2020, outlined principles such as good faith, openness, cooperation, mutual respect, and an honourable process for negotiating the transfer.⁷⁰ The process outlined several steps for the transition to take place including gathering feedback from affected First Nations, sharing current and historical operation, regulatory, financial, and strategic information, as well as the results of Environmental Impact Assessments of the facilities. The MOU also required First Nations to develop a business model and associated detailed business plans. It outlined the requirement for a fair and detailed agreement

for negotiating the terms for transitioning ownership. The MOU set a target of June 30, 2020 for the agreement to be reached by both parties. Following the agreement, the MOU requires a jointly prepared, comprehensive detailed transition plan that was to be implemented no later than July 2020.

The transfer of airports to First Nations partners began in April of 2019 when the Government of Manitoba announced that they had entered into an agreement with Beaver Air, Mississippi Management and Mathias Colomb Cree Nation to transfer ownership of the Grace Lake Airport in The Pas.⁷¹ Mississippi Airways operates out of the Grace Lake Airport providing daily scheduled service as well as 24-hour Medevac and charter services to the northern Indigenous community of Pukatawagan. Located 210km north of the Pas, Pukatawagan is part of the Mathias Colomb Cree Nation.

Special Operations

Special Operations is a section of MI that provides specialized work functions critical to the preservation and maintenance of highways and capital investment projects. Activities performed include high performance chip sealing, preservation seal, rout and seal operations, pavement marking, and asphalt cold mixing. The exact number of positions fluctuates year to year depending on the work required. In 2019 there were more than 100 employees with the majority working seasonally.

Rumors that the work of Special Operations would shift to private-sector service delivery was first realized in 2018 when the Brandon seal coat crew was terminated, impacting approximately 30 people.⁷² That December, the MGEU received notice that seasonal road work that had been performed by Special Operations would be increasingly contracted out during the 2019 construction season.⁷³ The work of the Winnipeg seal coat team, the Dauphin paint crew and one unit of the rout and seal crews was contracted out that spring impacting more than 50 positions.⁷⁴ In total, at least 80 seasonal positions were eliminated by spring of 2019.

Snow Clearing Contracts

Manitoba has more than 19,000 kilometers of provincial highways. The Government is responsible for providing highway maintenance to ensure safe and timely travel. In the winter season, highway maintenance levels are dependent on weather. Until recently, snow plowing was completed almost exclusively by employees working out of maintenance yards spread across

TABLE 3 Contracts Awarded for Snow Clearing Contracts in 2019 and 2020

Area	Estimated Pass KMs	Contract Value
Contracts Awarded in 2019		
Elie	2,000	\$ 62,967
Ashern-St. Laurent	3,295	\$ 143,470
Waterhen-Fairford	3,330	\$ 253,905
PR 280	3,330	\$ 107,450
Sherridon Rd	2,520	\$ 130,816
Snow Lake	730	\$ 86,700
Riverton	4,388	\$ 149,478
Bisset & Nopiming Park	3,198	\$ 53,106
Total	17,305	\$ 987,892
Contracts Awarded in 2020		
PR 315, PR 314 and PR 304. Bisset and Nopiming	3,838	\$ 95,175
Southern (PR) 306, 336, 205, 330, 332	2,700	\$ 77,314
Snow Lake 395, 393	810	\$ 98,880
Warren	3,426	\$ 90,218
Riverton	5,880	\$ 143,811
Gladstone, MacGregor	5,411	\$ 172,970
Elie	2,100	\$ 56,565
Portage la Prairie	3,106	\$ 119,223
PR 464, 468, 455, 564, 615	4,031	\$ 45,687
PR 352	2,569	\$ 83,225
PR 347, 348, 349, 453	2,579	\$ 77,283
Rice River Road	2,522	\$ 61,137
Sherridon Road	2,688	\$ 365,661
PR 280, 290	5,500	\$ 300,000
Total	47,160	\$ 1,787,150

Source Authors' compilation based on search of MERX.com, various years.

the province. *Table 3* is a summary of awarded contracts taken from Merx, an electronic tendering service used by the Government of Manitoba. The table demonstrates that there has been a growing reliance on private contracts to provide vital, winter snow clearing services. In 2019 there were nine contracts for winter maintenance awarded to private contractors totalling \$987,892. In 2020, the number and value of contracts increased with 14 contracts totalling \$1,787,150 awarded for snow clearing along with a \$909,900 contract awarded to a private contractor for summer and winter maintenance.⁷⁵

Canadian Reviews of Similar Highway Maintenance Privatization Initiatives

TRANSPORTATION INFRASTRUCTURE IS crucial for generating economic growth and protecting public safety, in this way it is a critical piece of a province's economy and a major contributor to overall quality of life. Despite this great importance to its citizens, other governments have privatized highway maintenance services as they are increasingly under pressure to provide more and better public services with fewer resources. There have been studies undertaken to evaluate the impact of privatizing these services. Three in particular have significant relevance to the anticipated changes to MI and are reviewed in detail below: a report on privatizing highway and bridge maintenance in BC, a report by the Parkland Institute on outsourcing of highway maintenance in Alberta, and the Auditor General's Report on Winter Maintenance in Ontario.

Implications of Contracting Out Road and Bridge Maintenance in British Columbia

A preliminary review of highway privatization in British Columbia the 1990s was undertaken, at the direction of the Minister of Transportation and Highways, by a multidisciplinary team. The team included: Peter Burton, the counsel on the 1993 Commission of Inquiry into the Public Services and the Public Sector; Robert G. Harvey, a long-time public servant with the Department of Transportation and Highways; Robert Whitelaw, an employee of the Office of the Comptroller General with the Province of British Columbia; and Kelvin McCulloch of the firm of Ernst & Young. The team was asked to analyze the operational, human resource and financial implications of privatizing road and bridge maintenance activities in British Columbia.⁷⁶ At the time, BC's highways included more than 42,000 km of road and 2,600 bridges. The review was initiated to ensure that "tax-payers of British Columbia are getting good value for their dollars and that high standards of service are maintained" but it quickly became apparent that the most significant consideration to be addressed was the financial and economic outcomes of privatization.⁷⁷ The result of the review was intended to assist the Minister of the time in determining if operations should proceed status quo or if a further public review was necessary.

Originally, highway maintenance in BC was delivered through the public service in 37 District Highway offices throughout the province. The department owned and maintained all equipment and had an annual maintenance budget of approximately \$219 million. Under this service model there were no significant issues reported. Privatization of services involved developing 28 contract areas from the original 37 district offices. Individual contractors who were awarded the work through a tender process assumed the government employees as their own, were transferred ownership and control of equipment and were awarded leases for existing yards. This essentially created a mirror image of the public service delivery model but within the private sector.

In the areas of operational and human resource issues, the review team found they had neither the time or the resources to fully evaluate the implications of privatization and this became secondary to studying the financial implications of privatization. Even with this narrower focus, the review team found it nearly impossible to determine the financial implications of privatization because no work had been done by the province to allow pre and post privatization cost comparisons. To create the data necessary for an

accurate comparison at the time of the study would have taken considerable effort on the part of the province and would have been very time consuming.⁷⁸ Furthermore, significant down-sizing and reorganization of the department made comparisons to pre-privatization virtually impossible. Despite these challenges, the review team remained confident in their conclusions and felt the report could still serve as the basis of change and improvement in highway maintenance in BC.

One of the findings of the report was that privatization required the government to implement a new approach to managing and monitoring road maintenance, and that this new approach came with costs not previously incurred by the province. In order to record requirements and expectations into contracts, a new results-oriented standard for maintenance was necessary and focused on short-term results.⁷⁹ This is a significant shift from the approach that was employed under the public service model that focused on how to achieve desirable outcomes, like maximizing the life expectancy and condition of the road. A results-oriented approach only focused on what must be achieved such as maximum allowances for snow cover, response times, and standards for length of roadside brush/grass. Although the report acknowledged that these new standards may have resulted in a better definition of what was required, it did not necessarily improve the level of road maintenance.⁸⁰ In fact, as a result of this shift in approach, the report concluded that visible cosmetic work was done more often under privatization, but maintenance which would ensure the lifespan of the road was ultimately neglected.⁸¹ To further complicate the comparison, a strict yearly maintenance cost is not necessarily an accurate reflection of true costs as proper maintenance can significantly extend the lifespan of roads.⁸² The converse is also true: an improperly maintained road could result in future increased costs to keep it in operation. Furthermore, the most cost-effective method may not always be what is best for the longevity of the road (for example, salting and sanding over snow removal). The report concluded that since privatization was promised to deliver the same or similar level of highway maintenance at a lower cost, it is desirable to ensure that clear cost comparisons can take place.

With regards to the financial implications, the report found that economical and effective highway maintenance is “a matter of fact” regardless of the public and private service delivery model employed.⁸³ More importantly, the report found that a maintenance program should be closely integrated with highways planning, construction and rehabilitation, and flexible

As a result of this shift in approach, the report concluded that visible cosmetic work was done more often under privatization, but maintenance which would ensure the lifespan of the road was ultimately neglected.

It was estimated that increased costs associated with contract maintenance amounted to \$15 to \$20 million annually and the report recommended that a cost reduction program be implemented.

enough to meet changing requirements due to weather, economic factors and budgetary constraints.

The report also found that privatization of road maintenance was a very high-risk endeavor because there was no evidence identifying any problems with the public maintenance program or research to support that privatization would be more efficient or cost effective. It was estimated that increased costs associated with contract maintenance amounted to \$15 to \$20 million annually and the report recommended that a cost reduction program be implemented.⁸⁴

Despite the review team's concerns with the quality and cost of the privatized model for road maintenance, they did not recommend reverting to a public system. They stressed that "the notion of public sector versus private sector efficiency will not serve in any way to advance the current highway maintenance service delivery case", and explained that only intensive study, analysis, piloting, testing, and re-engineering can provide the basis for cost savings.⁸⁵ They recommended that steps be taken to ensure that adequate financial accounting that captures the full cost of the highway maintenance program be maintained so the cost can be monitored more closely. Finally, they indicated the issues uncovered in their report served to underscore the need to resolve the operational problems and unsustainable financial cost of the privatized BC highway maintenance program.

Outsourcing Winter Maintenance and the Complexity of Contract Management in Ontario

In the 1980s, the Ontario Ministry of Transportation began an incremental process to privatize highway maintenance. By 1996 about half of the maintenance had been outsourced and a business case was developed to fully outsource all maintenance in the province to private contractors. There were two primary means in the business case "to reduce staffing and to save \$10M a year."⁸⁶ Two types of contracts, Managed Outsourcing and Area Maintenance Contracts, were used to award work to private contractors. Under Managed Outsourcing contracts, the Ministry directed the work of contractors to complete services based on established best practices and procedures. Contractors would then bill the province for hours worked on a unit-cost basis. Under the Area Maintenance Contracts, a contractor would be responsible for the planning and managing of work in a specific area based on the Ministry's best practices and procedures and by meeting

the bare-pavement standard. Contractors were required to document their maintenance activities and report this information to the Ministry and the Ministry, in turn, would conduct audits of the contractors' work. Contractors would be chosen not only on the price of their bids but based on the quality of work, including demonstrating how they would follow the Ministry's best practices and procedures.⁸⁷

In 2009, the province decided to move to performance-based contracts in an attempt to further reduce costs. In performance-based contracts, rather than the province providing the practices and procedures to achieve the desired results, the contractor decides how to deliver the end results. The performance-based contracts were also longer-term as an incentive for the contractor to invest in the best-value equipment and methods. The rationale for switching to performance-based contracts was that contracts that are based on paying for work performed would not lead to greater efficiency, whereas performance-based arrangements provide the contractor incentive to be more proactive and customer-oriented. The government also believed they would save additional staffing costs as they would no longer be responsible for patrolling and managing the work.

Following the shift to performance-based contracts, the province saw a decrease in winter maintenance service levels leading to hazardous driving conditions and safety concerns for Ontarians. The Auditor General of Ontario, based on a motion by the Legislature's Standing Committee on Public Accounts, audited the outsourcing of winter highway maintenance to private-sector contractors in 2015. This was following a particularly harsh winter where the suspected decline in winter highway maintenance became glaringly evident. Ontario's winter highway maintenance had been fully outsourced since 2000 but in 2009 the government changed how they were handling the contracting process. The report found that because of these significant changes to contract management for winter highway maintenance "winter roads have not been maintained as effectively as they were prior to this date."⁸⁸ The review determined that the performance-based contract model that was introduced to reduce overall expenditures was the cause of the decline in service. In this model, contractors were not required to use best practice, to have specific equipment available or even use certain materials in their winter road maintenance. Instead, it was entirely up to the contractor to decide how and with what equipment and materials they would perform winter maintenance. The only overriding criteria that was used to award contracts was the lowest bid. This provides an obvious incentive for contractors to minimize the equipment and materials used. Although the

"Winter roads have not been maintained as effectively as they were prior to this date."

They found that contractors used less equipment and treatment materials, patrolled roads less often and, in some cases, were unable to meet contract requirements.

They also added 20 oversight staff and committed to continuing to identify additional winter maintenance enhancements

Ministry of Transportation had successfully reduced the cost of winter road maintenance, the audit determined it came at the cost of safety for Ontarians as it resulted in a reduction in the timeliness of winter road maintenance.

The auditor's findings directly attributed the deterioration in service and reduction in service levels to the performance-based contracts. They found that contractors used less equipment and treatment materials, patrolled roads less often and, in some cases, were unable to meet contract requirements. The process used by the government to award contracts was also flawed. The Auditor General found that the government did not assess contractors' ability to deliver services, did not meet audit targets, relied on contractors' self-reporting, and lacked the necessary monitoring tools. Furthermore, the Ministry incurred unplanned costs to bring service levels in contract areas to an acceptable level and neglected to factor in the potential liability costs of outsourcing as the Ministry continued to be legally responsible for the maintenance and repair of provincial highways.⁸⁹

Ultimately, as a result of the review, the Ministry added 105 pieces of winter equipment to better service truck climbing and passing lanes as well as freeway ramps and shoulders. They also added 20 oversight staff and committed to continuing to identify additional winter maintenance enhancements. They also changed their contract model to appropriately combine costs and service levels into contract evaluation.⁹⁰

Privatized Highway Maintenance in Alberta

In 1995/96, the Government of Alberta decided to outsource the maintenance of all primary highways in the province to private contractors. By 2003, no study had been undertaken to compare the previous government program with the privatized system. The Parkland Institute, a research network that examines policy issues at the University of Alberta, decided to undertake the task. They were specifically interested in finding out if privatizing highway maintenance led to lower costs while maintaining the same level of service. Due to issues accessing data, they were not able to answer their research question and ultimately found that “government has failed to put in place adequate means for assessing in a publicly accountable manner the success or failure of” privatizing highway maintenance.⁹¹ This led to an important discovery, “privatization of highway maintenance has occurred without proper public accountability, its costs and contractual obligations secreted from public scrutiny, despite the fact that Albertans pay the bill.”⁹²

The Province of Alberta carried out all the maintenance on its primary highways until the mid 1980s when the government gradually expanded the role of contractors. The outsourcing of all highway maintenance came shortly after the election of a new Conservative government in Alberta in 1993 that promised “fiscal austerity” and “smaller government.”⁹³ Within months of being elected, the Alberta retail liquor industry was privatized and others quickly followed. Highway maintenance work includes major activities such as bridge deck repair, painting and washing, maintaining concrete retaining walls, curbs, gutters, medians and sidewalks, drainage activities for better erosion control, beaver dams, culverts, storm sewers, manholes, surface maintenance such as crack-sealing, dust control and patching, winter maintenance, safety activities, maintaining traffic control devices, right of way maintenance and administrative activities such as acquisition and managing the people and facilities associated with highway maintenance.⁹⁴ This outsourcing occurred through 30 Contract Maintenance Areas awarded to eight contractors. The aim was to reduce the cost of highway maintenance, ensure public safety, and maintain and improve the quality of maintenance.

Parkland’s approach to determining if the quality of service had remained at a high standard while reducing costs was to use data from the Public Accounts and compare it to the total cost of maintaining the highways, as determined in a report completed by KPMG in 1997. KPMG’s report calculated the primary highways’ maintenance costs using actual figures, rather than estimates or forecasted figures after the first year of privatization. When researchers tried to compare the Public Account records, the most detailed records available to the public, to the KPMG report it became apparent that KPMG had been given special access to even more detailed financial information.⁹⁵ Despite trying other approaches, it was found that the detailed cost information needed to make accurate comparisons was not available. Alberta Transportation (AT) does not release unit prices and was also unwilling to release information on work quantities. Furthermore, requests for information on the total amount of work on each bid and average unit price was turned down with AT citing that it would take too much time to prepare. Information related to the number and type of employees prior to privatization was also unavailable. A KPMG report that had not been publicly released was discovered in the process of the research but a table related to Key Calculations was removed as it was considered confidential information. Ultimately, due to confidentiality laws and problems resulting from constant government reorganization, it

“Privatization of highway maintenance has occurred without proper public accountability, its costs and contractual obligations secreted from public scrutiny, despite the fact that Albertans pay the bill.”

was impossible to confirm the claims that privatization of primary highway maintenance resulted in cost savings.

The report also sought to examine the quality of the highway maintenance program, but again there were no means to make a determination. From the inception of fully outsourced highway maintenance in 1996/97 until the 2003 Parkland study was conducted, three different measures were used to determine the quality of roads. This, combined with increased demands and the normal road deterioration that came with age, made it difficult to determine the impact of highway maintenance privatization on the quality of the province's roads.

The problems that arose from trying to complete the study resulted in two recommendations. First, "the re-organization of government ministries or their reporting and accounting practices should be accompanied by a document clearly outlining the nature of the re-organization and the steps necessary to make pre- and post-reorganizational comparisons."⁹⁶ The problem was not that the information necessary to make comparisons did not exist, the problem was that "government controls the information necessary to evaluate the success of its experiment in privatizing highway maintenance."⁹⁷ The second recommendation to come out of the study was "the rules regulating private contracting by government should make information on contracts as open and transparent to the public as the rules regulating government departments and Crown agencies."⁹⁸ The Government of Alberta failed to put in place means for assessing the success or failure of privatizing highway maintenance. This report showed the government's failure to Albertans who "deserve policies based on more than faith; they deserve policies whose outcomes can be measured and which are publicly accountable."⁹⁹

Results from Surveys and Interviews with Workers

Survey and Interview Process

MGEU PARTNERED WITH a group of University of Manitoba researchers to undertake a survey and interviews with MI and VEMA employees to better understand the proposed changes and their impact on efficiencies, value for money, job quality and working conditions for front line workers. The University of Manitoba research team included one faculty member, one PhD student researcher, one undergraduate student research assistant, and an external subject matter expert – a former civil servant with a career in infrastructure senior management. Based on background research, the research team, in collaboration with MGEU, developed survey and interview questions. The research project received approval from the University of Manitoba Research Ethics Board.¹⁰⁰

The survey was made available to Manitoba Infrastructure and VEMA employees online. MGEU members who had email addresses on file with the union were sent a personalized link from the principal investigator inviting them to participate in the survey, with two reminders, as well as two emails from MGEU encouraging participation. Survey questions and the consent forms are provided in Appendices A and B. MGEU had email

addresses for 597 members; 591 survey links were successfully delivered. The survey also included instructions on how to direct other employees and relevant stakeholders, such as contractors or experts in other jurisdictions, to participate in the survey. Three additional requests for personalized links were received and were provided, with all three being MI/VEMA staff. The survey ran from April 15th to May 7th 2021, with 124 fully completed surveys received, for a 21% response rate.¹⁰¹ According to the 2019/20 Civil Service Commission and VEMA Annual Reports, MI employed 1,267 staff and VEMA had 122 staff at the end of the fiscal year. Based on this, approximately 9% of all staff in MI/VEMA participated in the survey.

Representation in the survey was obtained from across the various divisions of MI/VEMA, roughly proportional to the staff complement of various units. The vast majority of responses were from fulltime employees with continuous employment, with a small number of responses from seasonal staff. Approximately 54% of respondents self-identified as a “front line worker”, 33% as a “supervisor/manager”, and the remainder choosing “other”. The average years of employment with the government among survey respondents was 12.4 years, with 41% indicating that they had previous related work experience prior to joining MI/VEMA.

Included in the survey was an invitation for participants to participate in an interview. All 19 respondents who indicated their interest in participating in an interview were contacted by the PhD student researcher to arrange an interview. Of these, 15 participants agreed to participate in an interview though two withdrew before the completion of their interviews. Four participants did not respond to the research team’s invitation to conduct an interview.

The research team’s subject matter expert and PhD student researcher conducted 13 interviews with representation across the various divisions of MI/VEMA in April, May, and June 2021. Interviews were conducted over Zoom or telephone. All participants completed a consent form ahead of the interview and were asked the same open-ended questions. Interview questions are provided in Appendix D. Twelve of the 13 participants agreed to have their interview recorded, and a transcript of these interviews was prepared by a student researcher. Participants were sent a copy of their transcript to review for accuracy. All interviews were confidential; the names of the interviewees are withheld by mutual agreement.

Key Outcomes from Member Consultation

Consultation with Membership on Changes to Service Delivery Model

To the best of my knowledge, the majority of Manitoba Infrastructure staff were not consulted and internal knowledge and expertise may not be reflected in the privatization proposals. There is a risk that the privatization of services will lead to the loss of consistent expertise, reduce quality of services for Manitobans and a lack of public accountability.¹⁰²

—Worker [branch undisclosed]

We have never been involved in any step of the way. It's usually just a mass email if we're lucky, [only] to be told, 'here's what's happening' and then we don't hear anything about it. We had a department-wide meeting a couple weeks ago and it was the first time we have heard from anybody about the reorganization that we're going through.... you have a year of just rumours and changes without any reasoning as to why.¹⁰³

—Worker in Other Infrastructure

As reflected in the above quotes, in survey results and interviews, participants consistently reported that they were not consulted in a direct or meaningful way about the proposed and ongoing changes to MI's service delivery model. Despite the majority of survey respondents being aware for 18 or more months that the government was considering privatizing or contracting out work related to their employment, only 4.9% of respondents indicated that they had been consulted on the proposed and ongoing changes to MI's services delivery model and policies. A similarly low proportion thought that the work-related experience, expertise and opinions of themselves and other workers are reflected in the proposed/current plan (see *Table 4*).

Some participants reported that they received bulletins on the topic, but the information contained in the communication was vague and uninformative as it only alerted staff to the fact that changes were coming to reduce costs and improve efficiencies. The rationale given was that "Manitoba was far behind and needed to modernize" but no details about who they were behind, what needed to be modernized and if or when this would be shared.¹⁰⁴ As one worker in Motor Carrier Services put it, decisions were just "jammed down our throats" without any feedback from workers or regard for how it would impact them.¹⁰⁵ Participants reported that their directors would try to let them know what was going on but they too had limited information and,

As one worker in Motor Carrier Services put it, decisions were just "jammed down our throats" without any feedback from workers or regard for how it would impact them.

TABLE 4 Survey Responses – Consultation with Workers

Questions	Response					
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree	Unsure / Don't know
Do you feel that you have been consulted on the proposed and ongoing changes to MI's services delivery model and policies?	1.6%	3.3%	7.3%	22.8%	62.6%	2.4%
Do you feel that your work-related experience, expertise, and opinions are reflected in the proposed/current plan?	1.6%	3.3%	8.9%	21.1%	48.0%	17.1%
Do you feel that the work-related experience, expertise, and opinions of front-line workers at MI are reflected in the proposed plan?	2.5%	3.3%	7.4%	19.7%	50.8%	16.4%

it was speculated, were discouraged from sharing information with front-line and middle management staff. For example, one worker suggested that their director appeared constrained in their ability to share information: “our director would kind of try to let us know what was going on, but then again he can only give us the information that he has or that he is allowed to tell us.”¹⁰⁶ One worker in Motor Carrier Services reported that even though they participated in management meetings, there was never an understanding of what the review would entail or any of the proposed changes.¹⁰⁷

Several participants in VEMA reported that there was no opportunity to respond to the limited details they were given about the change. While most workers felt their directors were doing the best they could under the given constraints and direction imposed from above, some described instances of threatening or bullying behaviour. For example, it was reported that staff were told by a senior official “I’m driving the bus, you either get on it or I’ll run you over”.¹⁰⁸ As a result of this lack of communication and consultation, participants felt that the internal knowledge and expertise was not reflected in the proposed changes or change management activities. Since there was no cooperation or consultation with existing workers, it was believed that the changes in the service delivery model and in particular activities that would be privatized or contracted out would result in a loss of expertise, ultimately reducing the quality of services for Manitoba’s and accountability to the public.

This culture of secrecy and the lack of transparency resulted in staff feeling that their service and expertise was not valued. As one worker in VEMA put it:

Staff were told by a senior official “I’m driving the bus, you either get on it or I’ll run you over”.

I haven't been consulted on any of it. I don't even know who is involved in the discussions that's made the choice. Which frankly makes me feel like why am I even bothering [...] if you're not even going to talk to me about something that is this important?¹⁰⁹

Changes to Service Delivery Model as Understood by Workers

In my opinion they are just setting us up to fail.¹¹⁰

—Worker in VEMA

With the lack of consultation on the proposed service delivery model changes, staff were left to speculate what was coming and draw their own conclusions based on their observations and experiences in the workplace. Participants across MI and VEMA identified three common themes: a reduction in the workforce through attrition, equipment being sold off or not replaced, and a lack of investment in the resources that remained including people, materials, and equipment. These factors provide some insight into what the planned service delivery model changes included, specifically a greater reliance on private contractors and consultants.

Workforce Reduction Through Attrition

Now we've got no staff so we're spreading things thin, working nights, and working by ourselves and no managers, no supervisors — nobody. Sometimes there will be one person working at night by themselves on a Friday night throughout the night and there will be nobody around.¹¹¹

—Worker in Motor Carrier Services

Beginning in approximately 2016, workers started noticing a reduction in staff. When workers retired or resigned from their position, they were not replaced. This practice of attrition is a way to reduce a workforce without drawing attention from the public. Workers reported that the hiring freeze was extreme and appeared to lack a coherent strategy related to what positions would remain vacant or be deleted. In some cases, workers reported a 30% to 50% reduction in the workforce.¹¹² The reduction strategy did not align with the core service delivery responsibilities leaving the staff in a difficult situation with regards to public safety.

The exercise was not exclusive to entry level and middle management; workers at all levels, including senior management, were not being replaced. As summarized by one worker:

The biggest problem... is not only that we don't have the operators or the manpower to do the work. We also don't have the management... they're just not replacing, so we don't even have a pool to pick from for management.¹¹³

As noted in the background section, there has also been rapid turnover of management at the ADM level, leading to a lack of corporate knowledge at the most senior positions.

Where staffing levels were reduced to a point where operations could not continue, remaining workers were moved. Some of these workers took on new positions to continue their employment, while others were simply arbitrarily moved to another work unit. One worker in Infrastructure Maintenance and Water Related Assets reported that they had “been moved to [many] different jobs in the last [several] years in an effort to stay employed.”¹¹⁴ Another worker in the department reported that when the maintenance yard they worked at became extremely understaffed “instead of hiring they just throw us together with another yard.”¹¹⁵ As numbers fall, there appears to be a geographic centralization of the workforce throughout the province.

Disposal of Assets

You know you've got no equipment; your hands are tied, and the public is wanting the high levels of services to maintain those roads in a safe way. And how do we do that if we're losing equipment?¹¹⁶

—Worker in Infrastructure Maintenance and Water Related Assets

With fewer workers in the workforce, workers reported there was insufficient staff to operate equipment and other resources, so an exercise of disposing of assets at suppressed prices followed.¹¹⁷ Some equipment was sold at auction; other equipment that required repairs was disposed of or left to sit. This move did not only apply to equipment; software and parts inventory necessary for repairs and maintenance were also not maintained.¹¹⁸ Workers felt as though they were being stripped of the necessary resources they required to do their jobs.

Lack of Investment

For everything that remained, including people, materials and equipment, there was no investment to ensure that the government's own forces could provide competitive services with the most recent technology. With the reduction in staff through attrition, remaining staff were taking on expanded responsibilities, but according to staff interviewed they were provided no

training. There was also a lack of expertise in the department as many experienced people retired or moved to the private sector. For example, a worker in Infrastructure Construction observed that there was no investment in staff to keep them adequately trained and as a result the staff fell behind:

When it comes to internal training with regards to specific duties such as surveying, how to prevent mistakes and how to be more efficient, that has been cut out of our program. We haven't been able to do any training in a large-scale group, it's all been kind of one-on-one word of mouth.¹¹⁹

This lack of investment can also be seen in the software used to maintain assets. There were reports of the government not renewing licensing for necessary diagnostic software.¹²⁰ It was also reported by a worker that custom built systems are being abolished and replaced by off the shelf software. This worker raised several concerns about this approach from a value-for-money perspective:¹²¹

The government's goal is to not pay IT staff.... they are talking about throwing out all of the software we've written ever. Even the stuff that's totally working fine and currently supported.... start all over again and pay the consultants to redo everything. Those consultants are going to cost \$150-\$200 an hour....

They haven't done any kind of analysis on what features does our system have... and where are the gaps? And what's the cost of addressing the gaps? Do they need to be addressed?... Any IT person worth anything is going to tell you that you have to do those things. If you're starting out your project without even doing that you are just destined for a flaming disaster. So that's the biggest risk to the taxpayers of Manitoba now is the decision has been made with no study.... I know how much work has gone into what we have working right now and how many hours it's going to take for consultants to replace it all, [it] is going to be significant.

Participants were very concerned about the impact of de-skilling and starving the department of resources and equipment, reducing overall operational capacity to the detriment of the Manitoba taxpayer. A worker in Infrastructure Construction commented in the survey:

If they don't fill staff vacancies, we will be unable to complete jobs properly, [and] safely, which will force government to hire private contractors.¹²²

Workers suggested the reduction in the workforce, disposal of assets and lack of investment in the department created a situation where the capacity

of the department was damaged to the point where they had no other option but to pursue privatization and the contracting out of work, at a higher cost. One survey respondent noted that:

They are taking away our new equipment and auctioning it off to private conservative friends and intentionally leaving us with the older stuff ... Some privates have taken on a lot of jobs we used to do... which is way [more] cost efficient for us to do then the privates, especially when the privates wages are \$3-5 an hour more than us and use bigger crews.¹²³

In essence, the government is paying twice for the same job due to the private sector not meeting established operational standards.

Workers also noted that the private sector did not always have the expertise and as discussed below, often public sector workers would need to go back and re-do work resulting in even more expense and lack of overall efficiency. In essence, the government is paying twice for the same job due to the private sector not meeting established operational standards.

Reliance On Private Contractors and Consultants

The choice to utilize contracts and consultants has steadily increased over the past five years. A worker in Infrastructure reported in the survey that 50% of the work in their branch was now done by private contractors and in Infrastructure Construction it was anticipated that 70% of the summer contribution projects would be administered by private contractors.¹²⁴

A listing of prequalified contractors has been created and are now relied upon to do most survey layouts and paving work for highways.¹²⁵ Special operation crews that perform necessary seasonal maintenance work have been replaced by private companies. As one worker with Infrastructure Maintenance and Water Related Assets noted:

In my part of Manitoba Infrastructure's Special Operations there used to be a seal coat division, a rout and seal division — each of those divisions used to have a Winnipeg group and a Brandon group and each of those groups had 15 people on the crew at least and then the support was another 4-5 people like cooks and people that looked after the camp and things like that. So, all those are gone they have all been privatized. Those jobs are gone.¹²⁶

With a reduction in the number of staff working in maintenance garages, to complete timely repairs a worker in VEMA noted that they are now redirecting the work to private garages.¹²⁷ The lack of diagnostic software equipment requires qualified mechanics to rely on private garages with the required software to complete diagnostic work on government-owned equipment. A worker in VEMA spoke to the problem with the lack of diagnostic software:

The department has to pay to get the license and they don't want to do that... That's where it was a big problem for us trying to get laptops, trying to get the scanners to find the problem with the equipment and then because we didn't have scanner they wouldn't invest the money...If you don't have that then it gets sent out to somebody else which is usually the private guy.¹²⁸

One worker reported in the survey that private engineering service providers are now completing up to 50% of the engineering work and are now also acting as project managers for government projects.¹²⁹ Even activities that are needed on a regular basis are now being provided by private contractors. A worker reported that employees of private contractors are working full time doing the same work as government workers.¹³⁰

Instead of focusing on reskilling and training the public service, the workers that remain are now investing in building the capacity of private contractors. Staff reported spending a significant amount of time developing training manuals and specifications for consultants and contractors.¹³¹ This effectively transfers the accumulated knowledge and experience from the public service operating for the public good, to private contractors who will use it to generate profits.

Impacts Resulting from Changes to Service Delivery Model

These widespread changes have had a significant impact on workers, as well as the cost and quality of service delivery. A large majority, 72% indicated a belief that the proposed and ongoing changes to MI's services delivery model and policies will lead to a reduction in the quality of service delivered (see Figures 1 and 2), and that asset quality would be lower after the changes. Nearly three-quarters of respondents thought that the ongoing changes would lead to increased costs to government and reduced value for money (see Figures 3 and 4). Only 6% believed that there would be financial/cost savings to government and only 5% of respondents thought the changes would lead to better value for money spent on infrastructure services.

Forty-five percent of respondents thought worker safety would be compromised if their job with MI or work related to their employment was privatized or contracted out, and 55% indicated public safety would be compromised (see *Table 5*).

Nearly 47% of the respondents predicted that wages and benefits would also fall for frontline workers under the plan and 51% thought work hours/shifts/employment would become less regular. Sixty-one percent thought that the proposed and ongoing changes to MI's service delivery model and

FIGURE 1 Survey Response: Quality of Service — In your opinion the proposed and ongoing changes to MI's services delivery model and policies will lead to:

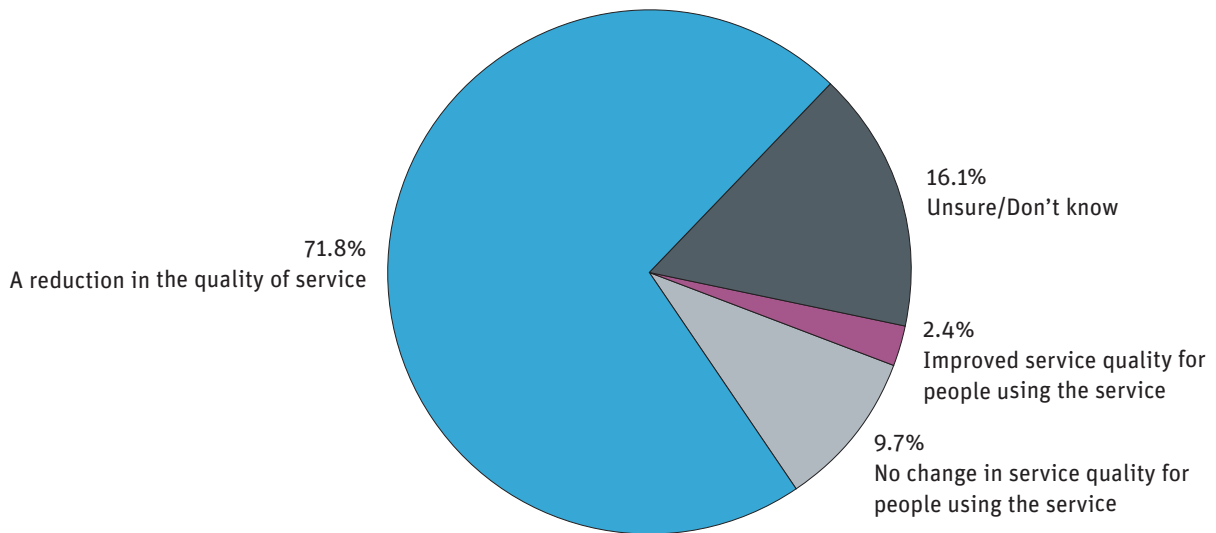


FIGURE 2 Survey Response: Asset Quality — In your opinion, the proposed and ongoing changes to MI's services delivery model and policies will lead to:

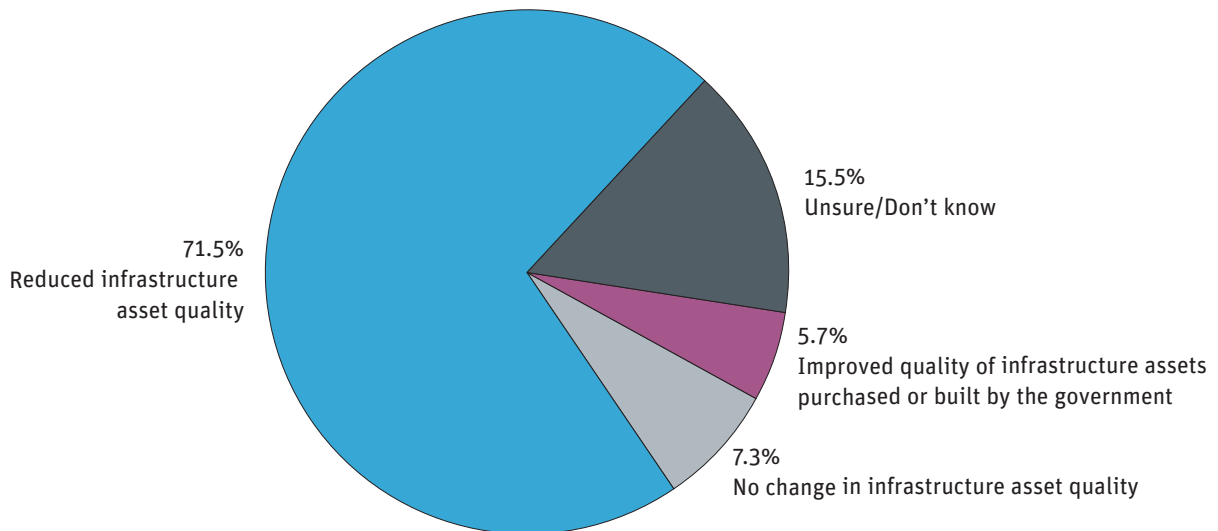


FIGURE 3 Survey Response: Cost Savings — In your opinion, the proposed and ongoing changes to MI's services delivery model and policies will lead to:

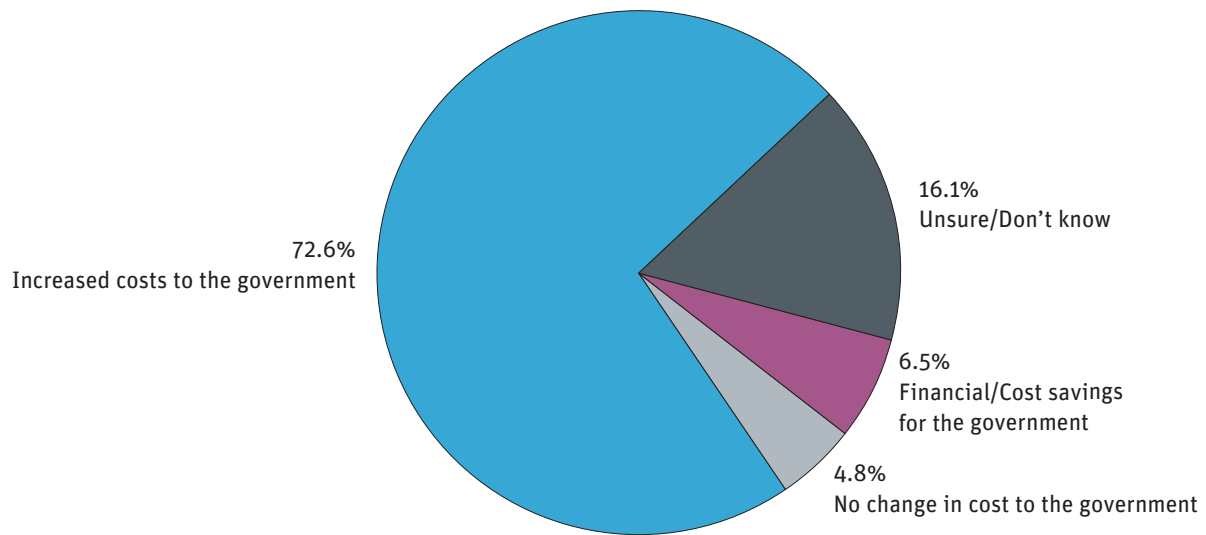


FIGURE 4 Survey Response: Value for Money — In your opinion, the proposed and ongoing changes to MI's service delivery model and policies will lead to Manitobans getting:

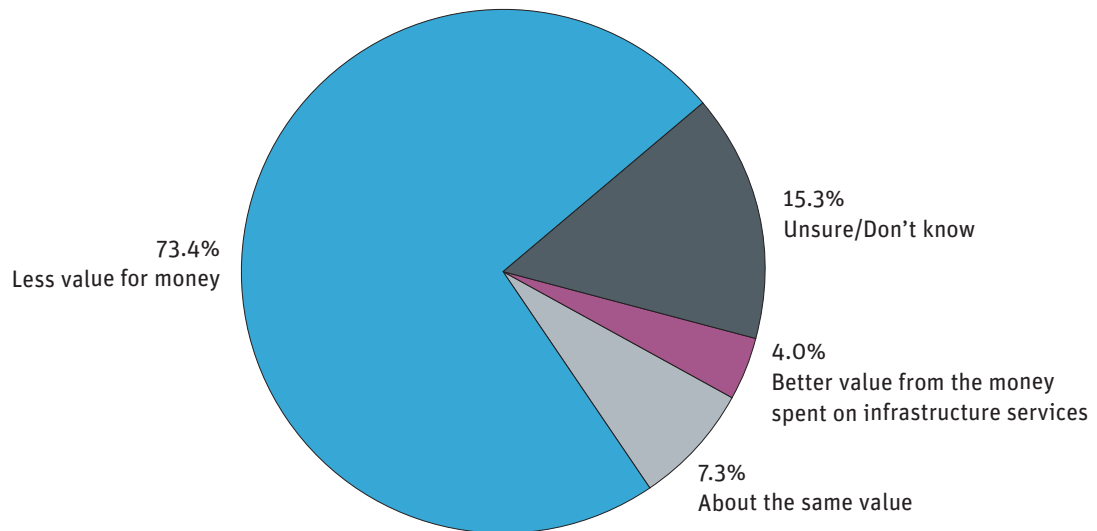


TABLE 5 Perceptions of Worker and Public Safety

Do you feel worker/public safety would be compromised if your job with MI or work related to your employment was privatized or contracted out?	Responses		
	Yes	No	Unsure / Don't know
Worker Safety	45.2%	32.3%	22.6%
Public Safety	54.8%	25.0%	20.2%

policies will lead to front-line workers experiencing worse working conditions and job satisfaction.

Impact on Workers

The survey results suggest a strong awareness of the proposed and ongoing service delivery changes, with employees expecting to be affected by actions resulting from the review. A majority, 54% of workers, said that their work had been impacted by the Government of Manitoba's review of MI's services delivery model and policies, with 53% of workers indicating that some or all the work related to their employment had been privatized or contracted out (see *Table 6*). Sixty percent of workers expected that their work would be impacted in the future, and 24% of respondents expected to be laid off as a result of the changes.

It has made work more difficult in the sense we have less staff and more work. When this service delivery was first mentioned I was told to do more with less. As such positions were never filled or they were lost/deleted. Management became aggressive towards staff as pressure was put on to employees to do more.¹³²

—Worker in Infrastructure Construction

In interviews workers reported feeling unsafe and burnt out. There have also been many changes in responsibilities — both a reduction and expansion. All this change, coupled with the lack of communication, has been devastating to staff morale.

TABLE 6 Survey Responses — Impact on Job Status

Questions	Responses		
	Yes	No	Unsure / Don't know
So far, has your work been impacted by the Government of Manitoba's review of MI's services delivery model and policies?	54.1%	23.8%	22.1%
Has some or all the work related to your employment been privatized or contracted out?	52.5%	36.9%	10.7%
Do you expect your work in the future will be impacted by the Government of Manitoba's review of MI's services delivery model and policies?	59.5%	8.3%	32.2%

Unsafe Working Conditions and Burnout

While not everyone needs to be replaced, there are key positions that need to be replaced that really help with people's workloads. There is a chain of command and in some places that chain of command is very, very disrupted because two people in the middle have left and they haven't been replaced so now its step 1 all the way to step 3 and they're handling all the lower things so that's creating stress, that's creating anxiety, that's creating a lot of issues for the people that are left.

—Worker in VEMA

The reduction in the number of people has been the primary factor resulting in unsafe working conditions and burnout. A worker in Motor Carrier Services reported that workers in their division are working alone 80% of the time.¹³³ Other divisions also noted an increase in working alone or working without supervision by managers and supervisors. For workers working in enforcement or with heavy equipment this creates unsafe work conditions.¹³⁴

Organization-wide there was a reported reduction in job satisfaction and an increase in stress and the need to take stress leave because of the uncertainty created by the changes in the workplace.¹³⁵ It is clear that employee satisfaction and well-being are no longer the priorities that they once were in the department.¹³⁶

Significantly increased stress levels due to a lack of basic managerial information and communication was consistently reported throughout the interview process.

They are burnt out. They don't have the people, they don't have the resource, they don't have the time. A lot of them are working many hours overtime and not claiming it. It's hard to watch because you know you want to help them and hire for them, but you can't.¹³⁷

—Worker in Other Infrastructure

A worker in Infrastructure Construction reported having to be on call more often because of the staff vacancies:

I work in a department that has seen a decrease in staff by 40% in the last 5 years and the only positions being filled are the supervisors, managers and not front-line workers. We are doing more emergency on call and overtime because of lack of staff and are getting burnt out. We care about our work and our jobs but don't feel supported by this government.¹³⁸

Organization-wide there was a reported reduction in job satisfaction and an increase in stress and the need to take stress leave because of the uncertainty created by the changes in the workplace.

A worker in Infrastructure Maintenance and Water Related Assets reported that where there used to be four or five managers there are now only two. This has resulted in workers worried about their employment and wanting to leave or looking elsewhere for job security.

Changes in Responsibilities

It's just adding a lot more onto my plate everyday whereas I used to have X amount of work and now I'm doing three jobs at once and not claiming any overtime or anything so it's just a lot more work. Burnout is very, very common right now. A lot of people going to stress leave but coming back with no solution.¹³⁹

—Worker in Other Infrastructure

One factor contributing to this uncertainty and stress is changes to job responsibilities. In many cases, as demonstrated in the quote above, this has increased the workload, in others the workload has not necessarily changed but the nature and duties have changed. A worker in Infrastructure Maintenance and Water Related Assets reported that staff from maintenance yards are being combined and are required to service the area that used to be serviced by two or three maintenance yard crews.¹⁴⁰ This results in “running a yard that’s triple the size and maybe only staffed to about a third of what we should have.”¹⁴¹

Other workers reported that they felt that their job would be reduced or eliminated. In many cases these workers reported that their work changed from performing the activities or managing field staff to writing requirements and contracts for consultants and private contractors to now do the job. Despite this change in responsibility, these workers predicted that, in the long term, their workload would increase due to responding to inquiries from contractors and just “sorting out how they have been doing their work.”¹⁴²

Reduction in Morale

Every year it felt like if you can get through this, next year it will calm down and go back to normal, but there never has been a return to normal... Once you do something that someone thought was impossible well now that's expected every time, so it just keeps getting added to it and added to it. So as staff are accommodating, because a lot of them are worried that they might lose their job, they're being very accommodating and they're working

as hard as they can, but...that's being expected every day. And it's being expected to do more with less.¹⁴³

—Worker from Infrastructure Construction

When workers were asked about morale in interviews they used statements such as “awful, extremely low” and being in “survival mode” or “just getting by.”¹⁴⁴ They reported not having any employee engagement or appreciation and there being no camaraderie anymore. One worker in VEMA attributed this to how the employees were being treated by their employer:

The employees know things are changing and they can see that the government is not investing in them and not being transparent about the changes so the morale is very, very low.¹⁴⁵

There were reports of an increase in use of sick leave because people were just frustrated by the lack of communication and constant changes.¹⁴⁶ This has resulted in a wedge being driven between front-line and middle management staff and senior department staff as well as between divisions of infrastructure. Disagreements are common in the workplace making it a very difficult environment to work in.¹⁴⁷

Many workers attributed the low morale to not feeling valued by their employer. It was common for workers to report that they felt the government valued private contractors over the public service. In the survey a worker in VEMA said:

I have never felt less valued as a government employee than in the last 5 years. I have been made to feel that this government would prefer that as many public servants as possible would just quit. The public service is full of dedicated and hardworking people that deserve better than this!¹⁴⁸

One worker felt that the situation would continue to deteriorate:

Morale will continue to decline. They continue to be silent about how they are restructuring. Keeping everyone on pins and needles. This government would.... privatize everything if they could. But... look at other jurisdictions that have privatized and it cost much more in the end with a huge drop in service.¹⁴⁹

Impact on Quality and Cost of Services Provided

I have worked in a privatized world of highway maintenance and trust me it does not work. The levels of service and work done is awful because there is no accountability. Manitoba has one of the best working crews for

maintenance. When it comes to snow removal it cannot be beat. Look at Saskatchewan they went private and now went back to government run as it's cheaper and better service.¹⁵⁰

—Worker in Infrastructure Maintenance and Water Related Assets

Both in the survey and during interviews participants were asked to share their thoughts on the impact service changes would have on the quality of services provided and the cost of services provided. Overall participants felt the quality of services is going down because of the service delivery changes. There are multiple reasons for this, with some related to the contracting out of services and others related to the lack of capacity at MI.

Lack of Capacity and Oversight

We're stretched thin, so we don't have the luxury of checking in with project managers. If I haven't heard anything I have to assume that everything is going really well and there's no issues because I'm getting phone calls from elsewhere. I can only deal with what comes in, and there's a lot that comes in. I don't feel like I'm able to really get a good grasp on all the projects in the province because I just don't have the time to go seeking for more work honestly.¹⁵¹

—Worker in VEMA

As a result of the reduction of staff, many workers are taking on greater responsibilities. This has brought about a lack of capacity to adequately oversee quality control of projects. The change from methods-based project delivery to quality specification oversight contributed to the reduction of direct involvement of MI staff in projects, “reduc[ing]... direct involvement in quality control and... staff requirements”.¹⁵² Furthermore, there is no evidence that the specifications and requirements outlined in government development guidelines are being enforced.¹⁵³ This can have long term implications. The lack of quality control and quality assurance will not likely be noticed in the short-term, however, long-term poorly constructed infrastructure can cost the government millions in unnecessary or early repairs. As summarized by one infrastructure construction worker:

The idea that infrastructure is being delivered by cost and managing “liabilities” on an accounting level may seem efficient by way of keeping costs constant but that is not the case because the costs become inflated and quality and service life goes down. We end up paying a lot more for inferior work but that is masked by keeping construction costs constant.¹⁵⁴

For example, if a culvert is designed to last 30 years, and only last 10 years due to poor construction practices and quality control and quality assurance practices, the government in essence will pay three times as much for the same asset.

This lack of capacity can also be seen in winter highway maintenance, impacting response times potentially contributing to unsafe road conditions for Manitobans.

Where we find the big problem is in the wintertime... we have two trucks out there and we are de-icing and none of our provincial roads are even touched. And there are days we go out there at 4:00 am and we can't get off the highway until 10:30 or 11 am.¹⁵⁵

—Worker in Infrastructure Maintenance and Water Related Assets

Although many maintenance yards have begun to utilize private contractors there is still a feeling that they are unable to complete the work in as timely a manner as MI was able to when they had a full complement of staff and equipment.

There are fewer operators, less equipment so in the winter maintenance isn't as timely as it has been in the past — even when they get private contractors to do it — they don't get it done as quickly as we could have before.

—Worker in Infrastructure Construction

This delayed response may result in more accidents thereby putting the safety of Manitobans in jeopardy and opening the government to civil suits if it is found they have not maintained roads adequately. A worker in Infrastructure Maintenance and Water Related Assets reported being very worried about this given it is completely preventable.

When you get on the highway...and you see a bunch of wrecks on the highway and ambulances and stuff, it's a pretty hard thing to take home knowing what could have been done better. Possibly if we had been out there earlier that accident wouldn't have happened.¹⁵⁶

Contracting Out — Cost and Quality Impacts

I believe that privatization of the construction sector is a mistake. It's already proven costs will inflate. Investments should be made in hiring and training more field staff.¹⁵⁷

—Worker in Infrastructure Construction

Many workers felt the shift to private companies was reducing the quality of services because, unlike the public service who are motivated by providing quality services to the public, companies are motivated by profits. With regards to equipment maintenance, during interviews with workers in VEMA, a participant expressed concerns with the quality of work done by private companies: “Private companies take shortcuts to get it in and out of the shop. It will come back to our shop and I’ll see stuff that was already missed on a safety or something else and I’ll point it out.”¹⁵⁸

When it comes to highway maintenance, the profit-driven nature of private companies results in them not clearing or grading roads to the same standard due to the cost of equipment and supplies. In the current contracting scheme, MI is paying contractors based on time spent clearing roads and how many kilometres they travel, not by results. This allows the private contractors to perform the job to a lesser standard than public crews. As one worker in Infrastructure Maintenance and Water Related Assets observed:

The private guy did not wear any blades through, and it took them probably three to four times as long as we would have with our own graders because we are not that concerned about wearing blades, we are concerned about getting the snow off the road. They know there is nothing else we can do about it, if they’re there we have to rely on them and that’s all we can do.¹⁵⁹

While a small number of respondents saw some possible efficiencies in contracting out, with for example one interviewee suggesting the contracting out of heavy equipment maintenance would save money,¹⁶⁰ privatization and contracting out of service was identified as the most significant factor in increased cost and reduced quality of service provision in most areas. For example, one worker stated that the

Private sector would do more of the daily tasks more efficiently, but when it comes to running equipment like plowing snow or blading gravel they will not because it costs money to go as often as MI does and they wouldn’t want to use as much fuel or grade blades etc. Those are things that would drastically drop in private sector. I see it first-hand daily.¹⁶¹

In areas such as Infrastructure Construction, Maintenance and Water Related Assets, workers felt that because private companies were motivated by profits, they were not concerned with delivering services to the highest quality in the most efficient manner possible. There were concerns that work of private contractors needed to be monitored to “make sure they are not setting themselves up for work three days down the road.”¹⁶² Similarly, with

work related to vehicle maintenance there were concerns with the quality of work completed by private maintenance shops and the cost implications: “the quality of the work that they are doing usually comes back and then we’re re-doing it again and yet they’re charging.”¹⁶³ Conversely, workers in VEMA felt that they offered better value for money:

You always get better value with mechanics being in-house because you have the convenience of when things break down, we’re there for you as versus a private shop where you call them, sometimes you might even have to wait for a while before they get to it into their shop. We can just stop doing something and go get something because we know...like a plough truck with a blown hydraulic hose, we can stop and get that fixed right on the spot for them.¹⁶⁴

—Worker in VEMA

Contracting out work to private companies also creates new work for MI staff along with issues related to contracting requirements and specifications. Workers in Infrastructure Construction reported in surveys and an interview that they have new responsibilities writing contracts and overseeing contractors.¹⁶⁵ Furthermore, contracts need to be very specific and detailed. Several workers spoke about contract requirements not being specific enough requiring service order changes or additional contracts that increased costs:

Contracts must be precise, if they are not the contractor does the bare minimum and then we need to issue change orders to make up the deficiencies. It ends up costing us more than it should.¹⁶⁶

—Worker in Infrastructure Construction

Members Suggestions for Improving Services Under Existing Service Delivery Model

The first solution is fix the staffing shortage, retain employees with comparable wages, provide a safe work place, and provide better opportunities for staff to gain experience.¹⁶⁷

We try so hard to do the best we can. It seems that we are stopped at every corner because of different reasons. Let us do our jobs. Let us know we aren’t disposable. Give us the resources to give a better product to the people of Manitoba.¹⁶⁸

—Worker in VEMA

TABLE 7 Efficiency Opportunities

	Yes. Please explain / elaborate:	No. Please explain / elaborate:	Unsure / Don't know
Do you believe the private sector would perform your unit's tasks in a more efficient manner?	9.7%	84.7%	5.7%
Are there opportunities for the services delivery to stay with the government but improve efficiency?	66.1%	5.7%	28.2%
Do you have any other ideas for how you believe MI's services can be delivered more efficiently?	58.3%	41.7%	n.a.

Despite being mostly sceptical of the ability of privatization to improve efficiency, department employees had many suggestions for improving productivity within government. Only 10% of respondents believed the private sector would perform their unit's tasks in a more efficient manner, with 85% disagreeing, but two-thirds of respondents had ideas for improving the effectiveness of operations (see *Table 7*).

As clearly articulated above, the arbitrary cuts and extreme vacancy management, resulting in a large decline in staff, has led to inefficiencies across multiple areas. Staff indicated that if they were approached by their supervisors to find savings in their budget they could, and that they understood the directive that cuts had to be made, however they felt the cuts made did not make sense operationally:

The places they are taking the money from or cutting down on are not the place they should be and that's just something you notice from the top down. They don't know the operations, they don't see what goes on day to day, so they end up cutting something that is extremely useful for staff....it is very frustrating and it comes out of nowhere.¹⁶⁹

Several survey respondents noted that resource constraints were limiting productivity and suggested "filling vacancies" and "having the proper amount of staff to do all the jobs would make things more efficient."¹⁷⁰ "We know how to run the business, we just haven't been given the opportunity."¹⁷¹ As one VEMA worker put it:

We are put into situation where we can't excel at services to the government. This is due to the lack of manpower and what we have available to make repairs. [Fixing] that would convince the government that we are a vital service that they cannot afford to lose.¹⁷²

Low wages and the ongoing wage freeze were also noted as creating inefficiencies by multiple workers, related to issues with recruitment and retention.¹⁷³ As summarized by one worker, when asked regarding efficiency:

Most workers are doing more due to lack of staff and direction. Staff like to be busy and work hard but it's time to pay them more. Offer excellent pay and you will recruit or retain the best workers. Make the positions attractive to bring the competition resulting in better workers and then better service to public.¹⁷⁴

Some workers did see the private sector as offering some efficiency improvements, but noted that this was only due government resource constraints:

They will absolutely perform things more efficiently, but that is due to the department handicapping itself by reducing its staff to the bare minimum. Also handicapping the spending, we can do to keep up with industry. The efficiency will come at a cost to taxpayer on many different levels.¹⁷⁵

During interviews a worker in Infrastructure Construction felt there were opportunities to reduce costs through better long-term planning:

Where is that five-year plan? I'm not too sure when it disappeared, but it went down to a 3-year plan and now it just seems to be all over the place where priorities change on a daily basis. Implementing the five-year plan again would allow the government to use their staff efficiently instead of just scatter[ing] them to the wind.¹⁷⁶

Other suggestions such as utilizing existing assets more strategically, developing a hybrid model for service provision and offering a competitive compensation and training package so the government could attract the most qualified and experienced staff were offered as suggestions.¹⁷⁷ All staff interviewed indicated that they did not participate in any kind of performance appraisal and there were no fiscal performance reviews.

Academic Literature Review¹⁷⁸

THE CHANGES UNDERWAY in Manitoba Infrastructure and VEMA are leading to a downsizing of the public service and an increasing reliance on the private sector for the delivery of services previously delivered by government employees. Various arguments have been put forward by proponents as to why contracting out services to the private sector would be optimal. Some proponents put forward a relatively straight-forward argument resting on wage differentials between public sector workers and private sector workers, with privatization facilitating the substitution of better compensated workers in standard employment relationships for more precariously employed, lower paid workers.¹⁷⁹ This argument ignores the fact that private sector delivery is generally done on a for-profit basis, adds additional costs, and generates greater incentives for private contractors to engage in quality reductions that are hard to govern via contract. Privatization advocates often then rely on the additional argument of the superior efficiency of the private sector versus the public sectors, with private sector firms being subject to the discipline of competitive markets, restricting their ability to reap excessive profits and forcing them to innovate and adopt the most efficient methods.

Efficiency, Cost and Quality

The most common argument put forward by proponents of privatization is that the private sector can deliver services more efficiently, or in a more cost-effective manner than the public sector.¹⁸⁰ These claims have their intellectual roots in ideas about government and the market that became prominent in the late 1970s and 1980s, idealizing markets while disparaging the public sector. This logic draws upon branches of economic thought known as Public Choice Theory and property rights approaches, as well as a public administration approach known as New Public Management that underpinned the wave of privatizations over this neoliberal period in countries such as Canada and the United Kingdom. While early studies provided some qualified support, more recent developments raise significant questions regarding the benefits of privatization and contracting out of public services.

Theoretical Foundations

Public Choice Theory and Property Rights Approaches

Public Choice theory and property rights approaches suggest that the private sector is the source of innovation and efficiency, due to the competitive forces of the market and the incentive provided by private profit.¹⁸¹ These approaches assume that both public servants and private firms are motivated by private/personal accumulation of wealth and influence. With government not subject to market competition, this creates scope for personal gain over the public interest through growing bureaucracies and the over-provision of services at high costs. The private sector, in contrast, is forced to innovate and be efficient to stay in business due to market competition and the threats of bankruptcy and takeover.

A parallel theoretical and practical development along with Public Choice theory was the rise of New Public Management in the field of public administration. With its roots in Public Choice and other conservative economic theories, New Public Management was the name given to the collection of reforms to the public sector including privatization, contracting out and more broadly seeking to manage government in line with private sector and market practices.¹⁸²

Public choice, property rights approaches and New Public Management helped facilitate the broad political-economic transition from the post-war 'Keynesian' era of high economic growth, low income inequality, and high levels of government intervention in the economy, to what has been termed

Neoliberalism. Neoliberalism is an approach to structuring the economy to prioritize markets and support private sector profitability. In addition to privatization, this was accomplished by reducing labour standards and social welfare benefits, redirecting government intervention in the economy, and deregulating industry. Predictably, profits increased while economic growth fell and income inequality soared. The contracting out and privatization being pursued in Manitoba has an intellectually underpinning in these neoliberal ideas.

The simplistic and unilateral assertion that private delivery is always best has been challenged by various mainstream theoretical approaches. These include the interrelated and complementary industrial organization, transaction cost, and incentive theory approaches. Heterodox institutionalist and other critical economists also raise a number of concerns with contracting out and privatization from value-for-money and equity perspectives.

Industrial Organization Approach

Industrial organization approaches emphasize that many of the public services subject to contracting out or privatization in modern advanced economies are not operating in competitive market environments.¹⁸³ If there are few suppliers or only one company supplying the service, privatization or contracting out will not lead to the predicted benefits of competition claimed by proponents. For most public services, markets do not exist outside of existing contracting out, and quasi-markets may need to be constructed through government for new privatizations.¹⁸⁴

Transaction Cost Approach

Transaction cost approaches emphasize that contracting itself is costly and that most contracts for service generally do not cover all possible future scenarios, due to the cost of creating detailed or 'complete' contracts and uncertainty about the future.¹⁸⁵ Needs may arise that were not envisioned at the beginning of the contract. Under public delivery, it is easier and cheaper for governments to make changes as circumstances evolve, relative to contracting out. Transaction costs approaches to public versus private delivery emphasize a trade-off of direct control for the benefits of using markets.

The main benefit of contracting out in the transaction cost perspective is that it may allow governments to access providers with specialized expertise and equipment, who have lower costs due to economies of scale from serving many customers through the market.¹⁸⁶ These benefits must be larger than the lost flexibility of public delivery for the contracting out to

be cost effective for governments. Generally, when there are economies of scale to be exploited, there are many buyers of the service in the market, and the attributes and quality of the service is easily measurable and verified, contracting out becomes more cost effective; If the service is unique, there are few or no other buyers, and quality is hard or expensive to measure, public delivery is generally more cost effective.¹⁸⁷ As the good or service which the government is procuring becomes more specific to government, the more likely that the government will become dependent on a single contractor and be 'held up' and be the victim of arbitrary price increases. In this case, the transaction cost approach highlights how in-house production, due to high contract negotiation and governance costs, can be more cost effective.

Incentive Theory Approach

Incentive theory approaches emphasize information asymmetries, and that governments are generally operating at an information deficit when it comes to the performance of contractors. The quality of the service may not be immediately apparent, difficult to measure and/or specify precisely in a contract. For example, on infrastructure construction projects, quality may be difficult to determine based solely on inspection of the final product.

The incentive theory approach suggests that private contractors have an incentive to innovate and reduce costs, which can benefit government if those cost savings are shared. With incomplete contracts, cost savings may be pursued at the expense of quality reductions, which may be hard to perceive in the short run and, even if discovered, may be costly for government to rectify.¹⁸⁸ When the scope for hidden quality reductions is high, contracting out becomes riskier.

Heterodox Institutional

The heterodox institutional approach, unlike the above mainstream economic approaches, does not idealize or give primacy to the market. Institutionalists instead argue that market, government and other forms of social provisioning are all viable means of providing goods and services, and one must look at specific circumstances and historical experience to determine the best means of delivery.¹⁸⁹ In these varying contexts, institutions and organizations are built up over time and shape what is feasible, efficient, and best meets the needs of a specific jurisdiction. Institutionalists, along with other critical approaches, also question the assumptions of public choice and other conservative economic models of human behaviour that emphasize individual gain and self-interest as the only relevant motivator in

economic behaviour. Instead, Institutionalists, along with other heterodox perspectives, emphasize that people have a number of motivations beyond narrow self-interest, such as “altruism ..., long-run reciprocity and the fulfillment of obligation or responsibility” that can lead to very different policy implications with respect to privatization.¹⁹⁰

Within a broadly defined institutionalist approach, multiple reasons have been put forward as to why public sector service provision may be more efficient than privatization. There are structural disadvantages faced by the private sector vis-a-vis the public sector, such as higher costs of borrowing and the risk of bankruptcy and default, making privatization more risky and potentially costly.¹⁹¹ The idea that the private sector has the incentive to take risks and is the driver of innovation and development, while the public sector is not, also diverges from historical evidence and lacks strong theoretical foundations.¹⁹² Finally, many studies support the presence of public service or pro-social motivation, the idea that public sector and non-profit sector workers value contributing to the public good through their employment, leading to higher quality service provision at a lower cost.¹⁹³

The heterodox institutionalist approach also emphasizes that efficiency, narrowly defined, is not the only goal of an economy, with the purpose of the economy being to meet the social production and provisioning needs of the population. Many governments also engage in public service delivery for reasons in addition to or other than direct efficiency considerations within the specific service being delivered. These can include employment and regional economic development considerations, developing economies of scope and/or scale within government, generating knowledge, and reducing income inequality.¹⁹⁴ Given that private markets can under-invest in training and quality,¹⁹⁵ public service delivery can also be used to set a higher industry standard through demonstration, creating job ladders and an incentive for workers to invest in training. Privatizing public services eliminates a tool to achieve broader efficiencies within government and to meet these social and economic policy objectives.

Empirical Evidence

In the 1980s and 1990s with the rise of Public Choice and property rights theory, Canada, the United Kingdom and many other countries engaged in extensive privatization programs. Early reviews found, on average, cost savings and efficiency improvements, but the results were mixed and dependent on the degree of competition in the private market.¹⁹⁶ A review of studies in 2000

found that 104 of 168 studies to date had concluded privatized delivery was more efficient.¹⁹⁷ Studies released around this time looking specifically at contracting out for service delivery found similar results, with contracting leading to cost savings in a majority of cases. For example, Hodge's 2000 study identified cost reductions on average in the range of 8% to 14%, but there were many qualifications, summarized below.

1. Variability of the results between sectors

Firstly, the results were highly variable between studies and between sectors.¹⁹⁸ Savings were driven by cleaning services, maintenance, engineering and refuse collection sectors while in areas such as fire, health, police/security, training and transport, the impact of privatization was negligible.¹⁹⁹ Most of the sectors with identified savings were low wage sectors characterized by precarious work, suggesting that the savings may be driven purely by lowering labour compensation and standards as opposed to real efficiency gains. When cost savings do occur, much of this can be explained by a reduction in wages and a more precariously employed workforce with fewer benefits.²⁰⁰

2. Reductions in quality

Secondly, cost savings often came at the expense of quality, a factor that often was not quantified or systematically accounted for in cost impact studies.²⁰¹ Declining service quality due to contracting out has been well documented with many cases requiring remedial action by government including contracting back in the service.²⁰² Some of these include high-profile disasters in areas related to infrastructure, including the Walkerton tainted water tragedy, linked back to privatized water testing and environmental regulatory enforcement; and the Hamilton-Wentworth public-private partnership responsible for a massive 180 million litre sewage spill and flooding of 115 homes and businesses, with the public sector having to pay for clean up.²⁰³

With respect to full privatization, there is mixed evidence regarding efficiency. Areas with lower labour intensity appear to benefit from privatization-induced infusions of capital and technological upgrades, seeing improvements, while labour intensive services having seen declines in quality.²⁰⁴

3. Misattribution to privatization

Thirdly, when cost savings or other benefits have been achieved through contracting out, those results may not be due to privatization. For example, some studies define contracting out to include contracting within the

broader public sector, for example with cooperation between agencies or municipalities. Hodge's 2000 study for example found that benefits were similar for contracting to public and private providers. This suggests that it may not be privatization driving cost reductions but access to partnerships, economies of scale, and the costing rigour involved with contracted services that are leading to cost control. Cooperation between public service providers can and has been regularly and increasingly used as an alternative to privatization.²⁰⁵

Privatization and contracting out also often occur when other service reforms are taking place. For example, new pricing mechanisms to encourage efficiency or changes in technology may take place separate from the service delivery model change, leading to a misattribution of reduced costs.²⁰⁶

4. Transaction and monitoring costs

Fourthly, most studies neglect to examine the transaction costs and ongoing incremental monitoring of contractors that is required once services are privatized.²⁰⁷ Empirical studies have found that high transaction costs lead to governments choosing to deliver services publicly.²⁰⁸ Once management and administrative costs associated with privatization are considered, some researchers have suggested savings may be minimal.²⁰⁹

5. Loss of savings over time or scale

A fifth related qualification was that savings estimates were made based on estimates at a single point in time. Some studies that have examined savings over time found savings being eroded in the long term.²¹⁰ This may be due to public services increasing in efficiency over time due to exposure to contracting, overly optimistic bids by the private sector that are corrected in subsequent rounds of negotiations, or the private sector taking advantage of its position as the existing delivery agent and the displacement of a public alternative. These challenges are compounded over time as the public sector loses the in-house capacity to properly monitor and understand the service due to privatization.²¹¹ To mitigate this, governments have also selectively engaged in mixed models where service was contracted on an exceptional or limited basis to access market information regarding private sector service prices and quality.²¹²

It has been observed that in the context of greater private sector delivery, publicly delivered services that have survived to date are increasingly efficient and responsive to industry standards.²¹³ It is important to note that public enterprises for the most part have arisen in response to market and

private sector failures to provide needed services, and dynamic efficiency considerations have often been neglected in the analysis of privatization.²¹⁴

6. Costs imposed in other areas

A sixth challenge is that studies examining public and private enterprises competing in the same sector may not account for the fact that private providers often have discretion over their service output and could avoid higher cost assignments, where public services providers generally have mandated service provision requirements with expectations of uniform and universal obligations.²¹⁵ For example, in healthcare and emergency services, private providers may have the ability to determine the specific procedures they specialize in and have some choice over which patients they serve. In a parallel public-private system, this can lead to the private sector taking on the most profitable service while the public sector is left to deal with more costly cases.²¹⁶ In social service privatization, particularly in pay-by-results contracts, practices such as ‘creaming’ where the easiest to serve clients are helped, and hard to serve clients are ‘parked’ have arisen as a significant policy challenge.²¹⁷

This issue speaks to a broader challenge with comparing the efficiency of service production and delivery before and after privatization. Economic efficiency is generally defined as the ability to produce the desired outcome with the lowest amount of inputs, or to maximize output given a level of input spending. Measures of the success of privatization of state-owned enterprises generally look at indicators such as output per employee, dividends and profits, return on assets, and return on sales.²¹⁸ These indicators are problematic as the goal of many state-owned enterprises are not focussed on generating profits but have multifaceted objectives such as supporting employment, regional development, and access to high quality services at affordable rates. A particularly relevant goal that is abdicated in privatization is the objective of supporting stable full-time employment with decent compensation. When privatized, these activities are lost or downloaded on to other public sector agencies and departments. Any assessment of the efficiency that does not account for this bias produces results in favour of privatization.

Summary of Empirical Evidence

Early studies supporting the efficiency of contracting out have been accused of severe methodological challenges that leave the reliability of their findings questionable, a problem that still causes challenges in more recent studies and often biases results in favor of privatization.²¹⁹ Since the 1990s, some

researchers have attempted to address these issues and have generated results that further question the findings and continued relevance of these early studies. A number of studies and reviews now indicate little to no advantage of private sector efficiency gains through contracting out or a declining advantage overtime, many of them specifically examining infrastructure-heavy service provision such as water and waste management.²²⁰ For example, one study specifically examining highway maintenance privatization after an extensive review concluded that:

highway maintenance outsourcing programs have broadly shown that initial claims of projected cost savings and service benefits are, at best, difficult to substantiate and, at worst, demonstrably overstated. Highway maintenance outsourcing programs have a tendency to underperform their advertised expectations.²²¹

Overall, these studies emphasize the various factors noted above that have led to a diminishing cost differential between private and public service provision. Practice has caught up with these results with privatizations reversals and contracting back in being a regular occurrence in recent decades.²²²

Non-efficiency Related Drivers and Other Considerations

Given the theoretical ambiguity of the benefits of contracting out, academics have looked for other explanations for continued pushes for privatization. Many scholars have focused on how privatization is often best understood as a tool used for political gain and to redistribute income, wealth and power between stakeholders.²²³ Specifically, privatization is often used as a tool by neoliberal/right-wing/ conservative governments and their backers to advance their interests. These ideological or politically motivated objectives can include lowering reported measures of deficits, reducing the size of government as a means to reward the business community directly with new business opportunities, and indirectly by reshaping the labour market and composition of the electorate.²²⁴

Lower Deficits

Conservative governments generally prioritize balanced budgets. From an accounting perspective, privatization can generate revenue to be used for deficit reduction if assets are sold for more than their net book value.²²⁵

Revenue generation through privatization is generally suboptimal as a sole reason for privatization given the associated transaction costs relative to simply managing the deficit through the issuance of additional government bonds.²²⁶ The real fiscal impact however is based on the cost to government of losing access to the assets and ability to provide the service directly. Even if revenue is generated in the short run, the cost of having to purchase the service from the private sector could lead to worsening deficits in the long run. This can be particularly acute in the case of infrastructure provision where capital costs are high and privatization facilitates the transfer of capital investments off-books. This practice then may be politically appealing to governments currently in power, but can inflate long run costs.²²⁷

Reducing/Reshaping the Size of Government

Lower deficits are often an intermediate objective of conservative governments, with reducing the size of government as the higher objective. Balanced budget commitments of conservative parties are often paired with tax cuts as part of an austerity agenda, which together requires cuts to government programs and services. For example, in Manitoba, despite emphasizing the importance of balancing the provincial budget, income tax and sales tax cuts were pursued well in advance of balancing the budget.²²⁸ Privatization reduces the size of the public sector unionized workforce who generally mobilize opposition to austerity governance and privatization.²²⁹ It will also reduce government expenditures if those services were previously subsidized or fully paid for by government but are now paid for directly by users. Contracting out may or may not lead to reduction in costs, but can provide political cover for cost-reducing service reductions, in turn making the privatized service less responsive to citizen demand and need, pushing citizens to rely more heavily on the market for services previously provided as a public service.²³⁰

New Business and Windfall Gains

Right-leaning governments may benefit from a transfer of activity from the public to private sector as it may reward politically sympathetic and supportive segments of the business community with additional opportunities to generate profits. Privatization can lead to large one-time payoffs as assets are often sold below market value. This payoff can be significant since privatization generates a large transfer that effectively captures the net present value of

enterprise operations, creating large potential windfall gains for investors at the expense of the broader public.²³¹ The private sector also benefits directly from the ongoing new business opportunities of providing the services that have been privatized or contracted out.

One sector that has profited from expanding privatization and contracting out is the broader financial sector, specifically the ‘big four’ accounting firms of Deloitte, Ernest & Young, PwC and KPMG. These firms have been at the forefront of facilitating New Public Management type reforms, displacing civil servants, and leading to the technocratization of public policy making at the expense of democratic deliberations and accountability.²³² This is particularly troubling given that these businesses, as partnerships, have minimal public disclosure requirements, despite the heavy reliance of some governments on their services.²³³

Reshaping Labour Markets

The business community also benefits indirectly from the privatization and contracting out of public services. The wage, employment and service reductions associated with privatization and contracting out also reduces the bargaining power of labour more broadly vis-a-vis employers, improving profitability of private business. This reinforces regressive labour market trends feeding increased economic inequality and precarious work along with the associated social problems it generates. It also disproportionately impacts those over-represented in precarious work, such as women and racialized communities.²³⁴

Reshaping the Political Environment

Right-wing governments can also use privatization to further reshape the political landscape in their favour and undermine opposition to their austerity agendas. Reducing the size of the unionized government workforce and increasing the unorganized private sector workforce can alter the political allegiances of the workforce, whose interests may now be perceived to be more aligned with private business.²³⁵ This change may take a coercive form, with recent research suggesting private employers are increasingly engaging in voter intimidation of their employees to support pro-business political candidates.²³⁶

Analysis of MI/VEMA Reforms in Context of the Academic Literature

The academic literature provides a helpful foundation for systematically assessing the potential benefits and costs of contracting out and privatization of infrastructure, vehicle and equipment services. Industrial organization and transaction cost approaches suggest that where there are small or non-existent market sales of the service, privatization and contracting out is likely to be suboptimal. Examples include areas such as emergency management and the management of unique public sector assets such as flood mitigation and other water related assets. Similarly, service contracts that require long-term exclusivity with private sector providers due to the need to purchase assets specific to the task are unlikely to provide any cost savings or benefits relative to public provision. As such, the privatization of wildfire suppression and air ambulance services are poor candidates for contracting out and privatization.²³⁷

Services such as snow clearing road construction, heavy equipment maintenance and vehicle maintenance, where markets are more well-developed, should in theory offer better prospects.²³⁸ However, as demonstrated in the interviews, employees note constant challenges with the quality of private-sector provision in these areas. This result is supported by the incentive theory approach where contracting out opens the door to, and in fact encourages, reductions in quality of service provision along dimensions that are difficult to measure. This was particularly clear with respect to infrastructure construction and road maintenance. It is then important, if value-for-money is to be achieved, that more complete contracts be written in these cases to keep in check contractors that provide poor quality service, and that the public sector maintain a contingent of staff who can evaluate and do the work in-house. This may require contracting back in some service provision to strike a balance.

There is however a strong case based on the heterodox institutionalist approach that MI and VEMA's more conventional public delivery configurations can effectively produce value-for-money for Manitobans, with well-resourced public provision complemented by some targeted contracting out to maintain a check on efficiency. This allows the public sector to identify areas where it may not be cost competitive, and allow civil servants to keep up with private sector trends in training and technology, something that can also be achieved through proactive training and hiring practices. It also helps in-house provision achieve economies of scale, particularly if

This approach is more consistent with the literature on non-efficiency explanations for privatization, suggesting that privatization and contracting out is taking place for ideological and/or political reasons to benefit well-placed private interests at the public expense.

road maintenance is kept public and a large fleet is required. This balanced approach would be more consistent with trends in public service delivery internationally.

It is important to note that some common underlying premises of the private sector efficiency case are clearly disputed by the interview data in a manner consistent with the heterodox institutionalist view. For example, many workers reported the private sector is offering significantly better wages. Informants noted the pride in providing service to the public and the job security of government/union positions kept them with government even though they could have had higher incomes in private sector employment.²³⁹

A framework based on the efficiency-focused academic literature provides a helpful foundation for a systematic assessment where contracting out and contracting back in should occur, but the message from employees is that no such systematic analysis is occurring. Instead, an aggressive attrition strategy has been described where the government is consistently reducing the size of its workforce to the point where they can no longer conduct their duties in an efficient manner. This approach is more consistent with the literature on non-efficiency explanations for privatization, suggesting that privatization and contracting out is taking place for ideological and/or political reasons to benefit well-placed private interests at the public expense. This risks higher costs and lower quality infrastructure services, jeopardizing value-for-money and public safety in the process.

Conclusion

ENTHUSIASM FOR PRIVATIZATION and market delivery of public services has ebbed and flowed over the decades. In the aftermath of the Great Depression and World War II, countries such as Canada and the United Kingdom engaged in a state-led development approach with high levels of public ownership and service provision that underpinned three decades of strong and equitable economic growth. Despite this success, a sweeping set of reforms in the 1980s and 1990s undid decades of building state-owned and publicly managed alternatives to the free market system, as belief in private sector superiority surged. We are now in a new modest period of private sector retrenchment, with governments, supported by theoretical and empirical developments, increasingly recognizing the limitations of private provision and contracting back in previously privatized public service provision.

Manitoba is headed in the opposite direction. The province is in the midst of a multi-year austerity push aimed at reducing the size of government and the public service. These reductions appear to be taking place ‘across the board’ without a systematic value-for-money analysis to determine the cost effectiveness or efficiency consideration of such reductions.²⁴⁰ This approach has led to the staff complement of MI falling by over 600 workers or 33% since 2016. VEMA has seen similar reductions, losing approximately 20% of its workforce and over 40% of positions vacant. This politically-led strategy, according to workers, has been to starve the public sector, refuse to fill vacancies, and eliminate training and performance planning. The destruction of internal capacity built up over decades will be challenging

This politically-led strategy, according to workers, has been to starve the public sector, refuse to fill vacancies, and eliminate training and performance planning.

to undo, and the longer it continues the more resource intensive it will be to rebuild.

According to the employees interviewed, the cuts and contracting out taking place in Manitoba Infrastructure and VEMA along with rapid turnover in management are significantly compromising the ability of these workers to do their jobs effectively and maintain important provincial assets at acceptable service levels. The austerity strategy has undermined the public sector's ability to deliver in areas where they previously had a comparative advantage in delivering cost-effective quality services, forcing them to turn to lower quality and expensive private sector contractors. This has resulted in staff reporting having to dedicate large amounts of resources to policing private contractors, and in many cases having to redo substandard work in response to cosmetic fixes. Contracting out has led to significant concern with respect to public safety, with contractors delivering slower and lower quality service. For example, the snow clearing of highways is happening later after snowfall with higher build up of ice and snow remaining afterwards. This is consistent with findings by Ontario's auditor general who reviewed the contracting out of snow clearing in that province and found reduction in service quality and levels.

According to the vast majority of workers, job quality, safety, efficiency, value-for-money, and the integrity of their workplaces are being compromised, and morale appears to be at an all-time low.

The changes taking place have been recommended by outside, for-profit, pro-privatization accounting firms with effectively no consultation with the broader public service workforce. According to the vast majority of workers, job quality, safety, efficiency, value-for-money, and the integrity of their workplaces are being compromised, and morale appears to be at an all-time low.

There is little to no support in case studies or recent academic literature to support this privatization and contracting out as means to generate quality-neutral cost savings or improve value for money. Canadian case studies specific to transportation infrastructure reinforce the clear message from workers that contracting out leads to deterioration in quality which puts public safety at risk. Experience elsewhere suggests that transparency will also be compromised, reducing public accountability and creating opportunities for contractors to unjustly profit at the public's expense.

Reviews and restructuring initiatives are important to help maintain and improve the relevance and effectiveness of public services. When adequately resourced, based on broad consultation, and given the latitude to put forward evidence-based and unbiased proposals, these initiatives can lead to innovation and more efficiently delivered and managed public services and assets. As well-documented in the public administration

literature however, effective reforms can often involve contracting back in and expanding public employment. Manitoba's exercise appears to preclude the possibility of such improvements, with reforms being dictated by ideology as opposed to rigorous analysis. Manitobans, along with public sector workers, are paying the price.

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Appendices

Appendix A: Consent Form – Online Survey

Consent Form – Online Survey

This consent form, a copy of which will be left with you for your records and reference, is only part of the process of informed consent. It should give you the basic idea of what the research is about and what your participation will involve. If you would like more detail about something mentioned here, or information not included here, you should feel free to ask. Please take the time to read this carefully and to understand any accompanying information.

Name of Researchers:

- Jesse Hajer, Assistant Professor, Department of Economics and Labour Studies Program, University of Manitoba
- Jennifer Keith, PhD Candidate, Department of Native Studies, University of Manitoba
- Michael Conway (Subject matter expert, previously Regional Superintendent, NWT Department of Infrastructure)

Title of Project:

- Contracting out and Privatization in Manitoba Infrastructure and Transportation/Equipment Services

Specific Activities to be Completed by Project Participant and Time Frame:

Online Survey. Expected time: 20–30 minutes.

Timeframe of survey: April 1st, 2021, to April 12th, 2021.

Description of Research Project:

In November 2017, the Government of Manitoba announced a review of Manitoba Infrastructure (MI) and transportation/equipment services (including the province’s Vehicle and Equipment Management Agency – VEMA). This work is ongoing and includes embedding a private consulting firm (PwC) in MI to develop options and recommendations for a new service delivery model. This includes “right-sizing” public ownership, investment, and maintenance. Since the initiation of this review, some services previously delivered by public sector workers have been contracted out to private for-profit operators.

Through surveys and interviews with government employees and other stakeholders, we seek to document opinions on the proposed changes with respect to what efficiencies are possible with or without privatization; the anticipated effect on value for money for provincial government funds spent in this area; and the impact of the changes on working conditions and job quality for front-line workers.

Risk

The risk of participating in an interview for this project is no greater than risks encountered in everyday life. One potential risk is a breach of confidentiality: that information may be shared in ways that enable you to be identified. To minimize the risk of this occurring, the following procedures will be undertaken.

Confidentiality

The data collected through this research is confidential. This means that participants’ names or any other personal or identifiable information will not be included in presentations or reports arising from the study.

Survey participation: Once a participant is emailed to complete the survey, whether they complete the survey or not will be tracked by the survey software. This data will be held in confidence, remain private and used to

ensure that only one survey is completed per participant and to send ‘thank you’ and reminder emails, if required.

Survey responses/answers: Please note that the survey responses/answers are not anonymous if you provide information that could be used to identify you. Any identifying information is discouraged in the response to the open questions.

Use of Data, Secure Storage and Destruction of Research Data

Information collected from participants will be used as part of the Contracting out and Privatization in Manitoba Infrastructure and Transportation/Equipment Services research project. It may be used for conference presentations and/or publication in journals and other academic and professional resources. All information will be treated as confidential and stored in a private and secure place, and subsequently destroyed at the end of the project, once accepted for publication, estimated April 2022 but no later than March 2023. The researchers, Jesse Hajer and Jennifer Keith are responsible for destroying the data.

Copies of consent will be securely kept on file by the researchers for information purposes only for two years and then destroyed, in accordance with University ethics policies.

Notice Regarding Collection, Use, and Disclosure of Personal Information by the University

Your personal information is being collected under the authority of The University of Manitoba Act. The information you provide will be used by the University for the purpose of this research project. If you request a copy of the findings and/or agree to an interview, your email address and/or phone number will be used to contact you and/or to provide you with a copy of the report. Your personal information will not be used or disclosed for other purposes, unless permitted by The Freedom of Information and Protection of Privacy Act (FIPPA). If you have any questions about the collection of your personal information, contact the Access & Privacy Office (tel. 204-474-9462), 233 Elizabeth Dafoe Library, University of Manitoba, Winnipeg, MB, R3T 2N2

Please be aware that your personal information may be stored on Qualtrics (the software used to host the survey) servers. The University of Manitoba cannot and does not guarantee protection against the possible disclosure of your data including, without limitation, against possible disclosures of data in accordance with the laws of a foreign jurisdiction.

By clicking “Yes”/“agree” and “submit” (once you have completed the survey) you are indicating that you have understood to your satisfaction the information regarding participation in the research project, agree to participate as a subject, and have given consent to the dissemination of material provided to the researcher for use in their Research Project. I understand that the information I provide will be incorporated in a presentation, report and academic publications. I understand also that all research data will be treated as confidential, stored in a private and secure place, and subsequently destroyed at the end of the project by the researcher.

In no way does this waive your legal rights nor release the researchers, sponsors, or involved institutions from their legal and professional responsibilities. You are free to withdraw from the survey at any time prior to submission, and /or refrain from answering any questions you prefer to omit, without prejudice or consequence. Withdrawing is possible at any time during the survey, but once submitted the survey linking the survey to the respondent may not be possible. To obtain a copy of this consent form for you to keep for your records and reference please click here [link to consent form] to download a copy.

The University of Manitoba may look at your research records to see that the research is being done in a safe and proper way.

This research has been approved by the Research Ethics Board at the University of Manitoba. If you have any concerns or complaints about this project you may contact any of the above-named persons or the Human Ethics Coordinator at 204-474-7122 or humanethics@umanitoba.ca. A copy of this consent form has been given to you to keep for your records and reference.

Contact Information:

Jesse Hajer, Assistant Professor

Department of Economics and Labour Studies Program, University of Manitoba

Telephone: 204-474-9057

e-mail: jesse.hajer@umanitoba.ca

Jennifer Keith, PhD Candidate

Department of Native Studies

University of Manitoba

Telephone: 204-330-5611

e-mail: keithj3@myumanitoba.ca

Thank you for participating in this project. Your cooperation and insights are valuable and are greatly appreciated!

I give permission for my comments to be referenced back to me as a “worker in” one of the following:

- Infrastructure construction
- Infrastructure maintenance and water related assets
- Vehicle and equipment management
- Motor carrier services
- Emergency management
- A consulting firm
- An out of province government entity
- Other:
- None of the above — do not reference my area of work in relation to my comments.

Note: If fewer than 4 workers from any particular area participate in the study (including both survey and interviews, area of work will not be referenced when reporting comments from survey and/or interviews.

I would like to receive a summary of the results from this project. If yes, please provide your email address or mailing address below.

Yes No

Participant’s contact information (email address, in order to receive a summary of the results from this project):

- I have understood the details of this consent form. Yes No
- I confirm that I am 18 years of age or older. Yes No
- I agree to participate in this study. Yes No

Please note: In addition to completing the survey, you must click “submit” at the end of the survey to finalize your submission. If you do not click “submit” your data will not be recorded.

Appendix B: Online Survey Questions

1. Please describe your current employment status in relation to the provincial government department Manitoba Infrastructure (MI):
 - a. I am currently employed by MI.
 - b. I am currently on lay-off from employment with MI and hope/plan to return to work.
 - c. I previously worked for MI but am not currently employed by MI.
Enter year last employed:
 - d. I have never been employed by MI.
 - e. Other. Explain:
2. What Division(s) of Manitoba Infrastructure do or have you work in?
 - a. Infrastructure construction
 - b. Infrastructure maintenance and water related assets
 - c. Vehicle and equipment management
 - d. Motor carrier services
 - e. Emergency management
 - f. None
 - g. Other:
 - h. Unsure/ Don't know
3. My employment with MI was primarily:
 - a. Full- time continuous employment
 - b. Part- time continuous employment
 - c. Full time seasonal
 - d. Part time seasonal
 - e. Other:
4. How many years of total employment have you had with MI? Enter the approximate number of years (including off-season, time on lay-off, etc.):
5. In my current or last job, I would describe myself as a:
 - a. Front Line Worker
 - b. Supervisor Manager
 - c. Other:

6. Do you have any employment experience (other than employment with MI) related to the services provided by MI?
 - a. Yes. Please describe:
 - b. No.
7. So far, has your work been impacted by the Government of Manitoba's review of MI's services delivery model and policies?
 - a. Yes. Explain:
 - b. No
 - c. Unsure/Don't know
8. Has some or all of the work related to your employment been privatized or contracted-out?
 - a. Yes. Explain:
 - b. No
 - c. Unsure/Don't know
9. How has your employment been impacted the review of Manitoba Infrastructure's (MI) services delivery model and policies?
 - a. I have been laid off or lost my job
 - b. My hours were reduced
 - c. My hours were increased
 - d. The type of work I do has changed. Explain:
 - e. No impact.
 - f. Other. Explain:
 - g. Unsure/ Don't know
10. Do you expect your work in the future will be impacted by the Government of Manitoba's review of MI's services delivery model and policies?
 - a. Yes. Explain:
 - b. No
 - c. Unsure/Don't know
11. In the future, do you expect some or all of the work related to your employment will be privatized or contracted-out?
 - a. Yes. Explain:
 - b. No
 - c. Unsure/Don't know

12. How do you expect your employment be impacted in the future by the MI review?
 - a. I expect to be laid off or lose my job
 - b. My hours will be reduced
 - c. My hours will be increased
 - d. The type of work I do will be changed
 - e. There will be no impact
 - f. Other. Explain:
 - g. Unsure/ Don't know

13. How long have you been aware that the Manitoba Government or Manitoba Infrastructure (MI) was considering privatizing or contracting out work related to your employment?
 - a. Less than 6 months
 - b. 6 months to a year
 - c. 1 year – 18 months
 - d. 18 months – 2 years
 - e. Over 2 years
 - f. Unsure/Don't know
 - g. I am not aware of plans MI to privatize or contracting out work done by my unit

14. How will the services you help deliver be impacted?
 - a. No impact
 - b. It will be contracted out to private companies
 - c. It will be privatized
 - d. It will be eliminated
 - e. It will be modified
 - f. It will be modified but stay with government
 - g. It will be modified and contracted out
 - h. I am not aware of plans MI to privatize or contracting out work done by my unit

15. Do you feel that you have been consulted on the proposed and ongoing changes to MI's services delivery model and policies?
 - a. I strongly agree
 - b. I agree

- c. Neutral
 - d. I disagree
 - e. I strongly disagree
 - f. Unsure/Don't know
16. Do you feel that your work-related experience, expertise and opinions are reflected in the proposed/current plan?
- a. I strongly agree
 - b. I agree
 - c. Neutral
 - d. I disagree
 - e. I strongly disagree
 - f. Unsure/Don't know
17. Do you feel that the work-related experience, expertise and opinions of front-line workers at MI are reflected in the proposed plan?
- a. I strongly agree
 - b. I agree
 - c. Neutral
 - d. I disagree
 - e. I strongly disagree
 - f. Unsure / Don't know
18. In your opinion the proposed and ongoing changes to MI's services delivery model and policies will lead to:
- a. Improved service quality for people using the service
 - b. No change in service quality for people using the service
 - c. A reduction in the quality of service
 - d. Unsure / Don't know
19. In your opinion the proposed and ongoing changes to MI's services delivery model and policies will lead to:
- a. Improved quality of infrastructure assets purchased or built by the government
 - b. No change in infrastructure asset quality
 - c. Reduced infrastructure asset quality
 - d. Unsure / Don't know

20. In your opinion the proposed and ongoing changes to MI's services delivery model and policies will lead to:
 - a. Financial/cost savings for the government
 - b. No change in cost to the government
 - c. Increased costs to the government
 - d. Unsure / Don't know
21. In your opinion, the proposed and ongoing changes to MI's service delivery model and policies will lead to Manitobans getting:
 - a. Better value from the money spent on infrastructure services
 - b. About the same value
 - c. Less value for money
 - d. Unsure / Don't know
22. Do you feel worker safety would be compromised if your job with MI or work related to your employment was privatized or contracted out?
 - a. Yes
 - b. No
 - c. Unsure / Don't know
23. Do you feel public safety would be compromised if your job with MI or work related to your employment was privatized or contracted out?
 - a. Yes
 - b. No
 - c. Unsure / Don't know
24. In your opinion, the proposed and ongoing changes to MI's service delivery model and policies will lead to front-line workers receiving:
 - a. Higher wages and benefits
 - b. About the same wages and benefits
 - c. Lower wages and benefits
 - d. Unsure / Don't know
25. In your opinion, the proposed and ongoing changes to MI's service delivery model and policies will lead to front-line workers receiving:
 - a. More consistent work hours/shifts/employment
 - b. Less regular work hours/shifts/employment
 - c. About the same consistency of hours/work
 - d. Unsure / Don't know

26. In your opinion, the proposed and ongoing changes to MI's service delivery model and policies will lead to front-line workers experiencing:
- a. Better working conditions and job satisfaction
 - b. About the same working conditions and job satisfaction
 - c. About the same working conditions and job satisfaction
 - d. Unsure / Don't know
27. Do you believe the private sector would perform your unit's tasks in a more efficient manner?
- a. Yes
 - b. No
 - c. Unsure / Don't know

Why or why not?

28. Are there opportunities for the services delivery to stay with the government but improve efficiency?
- a. Yes
 - b. No
 - c. Unsure / Don't know

Please explain:

29. Do you have any other ideas for how you believe MI's services can be delivered more efficiently?
- a. Yes
 - b. No

If yes, please briefly describe:

30. Are you willing to participate in a confidential one-on-one interview with the researchers to discuss how you think the proposed service changes will impact services to Manitobans?
- a. Yes
 - b. No

If yes, please enter your contact information and preferred interview method below.

Important note: If you provide contact information here to do a follow up interview, your responses will no longer be anonymous to the researchers (but will remain confidential). If you want to have your responses remain anonymous but still want to do a follow-up interview, DO NOT enter your contact information here. Instead, please email Jennifer Keith at keithj3@myumanitoba.ca or call 204.330.5611 to request an interview.

- Name:
- Email address:
- Phone number:

Our preferred method would be to use Zoom videoconferencing to conduct the interview. You would not have to have your video on. We could alternatively conduct the interview using Skype, FaceTime, or telephone based on your preference. Please select your preferred interview method:

- a. Zoom
- b. Telephone
- c. Skype
- d. WhatsApp
- e. FaceTime

Please click “submit” to finalize the submission of your survey responses. If you do not click “submit” your data will not be recorded.

Thank you for completing the survey and participating in our study. We appreciate your time and feedback. If you know of another MI, VEMA, or other relevant stakeholder who you think may wish to complete the survey, DO NOT forward their information to the researchers. Instead please forward them a copy of this [link to subsequent recruitment letter] recruitment letter and/or advise them to contact Jennifer Keith at jesse.hajer@umanitoba.ca or leave a message at 204.474.9057.

Appendix C: Consent form – Phone/Video Conference Interviews

This consent form, a copy of which will be left with you for your records and reference, is only part of the process of informed consent. It should give you the basic idea of what the research is about and what your participation will involve. If you would like more detail about something mentioned here, or information not included here, you should feel free to ask. Please take the time to read this carefully and to understand any accompanying information.

Name of Researchers:

- Jesse Hajer, Assistant Professor, Department of Economics and Labour Studies Program, University of Manitoba, Winnipeg MB
- Jennifer Keith, PhD Candidate, Department of Native Studies, University of Manitoba
- Michael Conway (Subject matter expert, previously Regional Superintendent, NWT Department of Infrastructure)

Title of Project:

- Contracting out and Privatization in Manitoba Infrastructure and Transportation/Equipment Services

Specific Activities to be Completed by Project

Participant and Time Frame:

Interviews, by phone or video conference call. Expected time: 1 hour.
Timeframe of interviews: April 12th 2021 to April 23rd 2021.

Description of Research Project:

In November 2017, the Government of Manitoba announced a review of Manitoba Infrastructure (MI) and transportation/equipment services (including the province's Vehicle and Equipment Management Agency – VEMA). This work is ongoing and includes embedding a private consulting firm (PwC) in MI to develop options and recommendations for a new service delivery model. This includes “right-sizing” public ownership, investment and maintenance.

Since the initiation of this review, some services previously delivered by public sector workers have been contracted out to private for-profit operators.

Through surveys and interviews with government employees and other stakeholders, we seek to document opinions on the proposed changes with respect to: what efficiencies are possible with or without privatization; the anticipated effect on value for money for provincial government funds spent in this area; and the impact of the changes on working conditions and job quality for front-line workers.

Risk

The risk of participating in an interview for this project is no greater than risks encountered in everyday life. One potential risk is a breach of confidentiality: that information may be shared in ways that enable you to be identified. To minimize the risk of this occurring, the following procedures will be undertaken.

Confidentiality

The data collected through this research is confidential. This means that participants' names or any other personal or identifiable information will not be included in presentations or reports arising from the study.

Please be advised that you are responsible for securing a private space to participate in the interview from. Depending on where and what device you are participating from, privacy cannot be guaranteed.

This interview is hosted by Zoom, a US company, and as such, is subject to the USA Patriot Act and CLOUD Act. These laws allow government authorities to access the records of host services and internet service providers. By choosing to participate, you understand that your participation in this study may become known to US federal agencies. If you prefer to conduct the interview over the phone that can be accommodated.

Audio/Video-Taping

Interviews will take place via Zoom. If the interviewee prefers, alternatively Skype, FaceTime, WhatsApp, or telephone can be used. Please indicate below if you agree to be audio/video recorded.

With your permission, interviews may be audio-recorded and transcribed at a later date, so that analysing the material will be completed with greater

ease and efficiency. Audio files will be encrypted and stored using password protected data storage tools, including encrypted external drives and university-provided shared file storage. Such audio-recordings will be kept in a secure place, and destroyed after they have been transcribed.

If created, participants will be emailed transcripts with the opportunity to review for accuracy. Your name or any other personal information will not be included in the presentation or report materials arising from the study. Where information occurs within a session transcript that will be included in the final project report or presentation, identifying personal information will be omitted.

Use of Data, Secure Storage and Destruction of Research Data

Information collected from participants will be used as part of the Contracting out and Privatization in Manitoba Infrastructure and Transportation/Equipment Services research project. It may be used for conference presentations and/or publication in journals and other academic and professional resources. All information will be treated as confidential and stored in a private and secure place, and subsequently destroyed at the end of the project, once accepted for publication, estimated April 2022 but no later than March 2023. The researchers, Jesse Hajer and Jennifer Keith are responsible for destroying the data.

Notice Regarding Collection, Use, and Disclosure of Personal Information by the University

Your personal information is being collected under the authority of The University of Manitoba Act. The information you provide will be used by the University for the purpose of this research project. If you request a copy of the findings and/or agree to an interview, your email address and/or phone number will be used to contact you and/or to provide you with a copy of the report. Your personal information will not be used or disclosed for other purposes, unless permitted by The Freedom of Information and Protection of Privacy Act (FIPPA). If you have any questions about the collection of your personal information, contact the Access & Privacy Office (tel. 204-474-9462), 233 Elizabeth Dafoe Library, University of Manitoba, Winnipeg, MB, R3T 2N2

Copies of consent forms will be securely kept on file by the researchers for information purposes only for two years and then destroyed, in accordance with University ethics policies.

Your signature on this form indicates that you have understood to your satisfaction the information regarding participation in the research project and agree to participate as a subject. In no way does this waive your legal rights nor release the researchers, sponsors, or involved institutions from their legal and professional responsibilities. You are free to withdraw from the interview at any time by informing the interviewer, and /or refrain from answering any questions you prefer to omit, without prejudice or consequence. Your continued participation should be as informed as your initial consent, so you should feel free to ask for clarification or new information throughout your participation. You may withdraw from the study at any time prior to May 31st, 2021 or within two weeks of being emailed your transcript for review, if interview was recorded (whichever is later), by emailing Jennifer Keith at keithj3@myumanitoba.ca or calling 204.330.5611.

The University of Manitoba may look at your research records to see that the research is being done in a safe and proper way.

This research has been approved by the Research Ethics Board at the University of Manitoba, Fort Garry campus. If you have any concerns or complaints about this project, you may contact any of the above-named persons or the Human Ethics Coordinator at 204-474-7122 or humanethics@umanitoba.ca. A copy of this consent form has been given to you to keep for your records and reference.

Contact Information:

Jesse Hajer, Assistant Professor

Department of Economics and Labour Studies Program, University of Manitoba
Telephone: 204-474-9057
e-mail: jesse.hajer@umanitoba.ca

Jennifer Keith, PhD Candidate

Department of Native Studies
University of Manitoba
Telephone: 204-330-5611
e-mail: keithj3@myumanitoba.ca

Thank you for participating in this project. Your cooperation and insights are valuable and are greatly appreciated!

I, _____, consent to the dissemination of material [Name of Participant] provided to the researcher for use in their Research Project and in course materials. I understand that the information I provide will be incorporated in a presentation, report and academic publications. I understand also that all research data will be treated as confidential, stored in a private and secure place, and subsequently destroyed at the end of the project by the researcher.

Our preferred method would be to use Zoom videoconferencing to conduct the interview. You would not have to have your video on. If you prefer we could alternatively conduct the interview using Skype, FaceTime, or telephone based on your preference. Please select your preferred interview method:

Zoom Telephone Skype
WhatsApp FaceTime

I agree for our telephone or video conference to be:

Audio and video-recorded (for Zoom meetings)

(Note: You may turn off your camera for the interview)

Audio recorded using a handheld recorder

I do not agree to any audio or video recording

(Interviewer will take notes.)

I would like to receive a summary of the results from this project. If yes, please provide your email address or mailing address below.

Yes No

I give permission for my comments to be referenced back to me as a “worker in” one of the following:

- Infrastructure construction
- Infrastructure maintenance and water related assets
- Vehicle and equipment management
- Motor carrier services
- Emergency management
- A consulting firm
- An out of province government entity
- Other:
- None of the above — do not reference my area of work in relation to my comments.

Note: If fewer than 4 workers from any particular area participate in the study (including both survey and interviews, area of work will not be referenced when reporting comments from survey and/or interviews.

If you agree to each of the following, please place a check mark in the corresponding box. If you do not agree, leave the box blank:

I have understood the details of this consent form. Yes No

My questions have been addressed. Yes No

I confirm that I am 18 years of age or older. Yes No

I, _____ (print name),
agree to participate in this study. Yes No

Appendix D: Interview Questions

1. Can I have your permission to record this interview?
2. Can you confirm the name of your employer or the organization you represent?
3. What is your official position or job title?
4. Is/was your employment part-time/seasonal/full time?
5. How many years have you been employed or active with the organization?
6. Can you describe your role and responsibilities?
7. Do you have any other employment experience related to the services provided by MI?
8. So far, has your work been impacted by the Government of Manitoba's review of MI's services delivery model and policies? How?
9. Do you expect your work in the future will be impacted by the Government of Manitoba's review of MI's services delivery model and policies?
10. In the future, do you expect some or all of the work related to your employment will be privatized or contracted-out?
11. If yes, how long have you been aware that the Manitoba Government or Manitoba Infrastructure (MI) was considering privatizing or contracting out work related to your employment?
12. How will the services you help deliver be impacted?
13. Do you I feel that you and your co-workers have been consulted on the proposed and ongoing changes to MI's services delivery model and policies?
14. Do you feel that worker experience, expertise and opinions are reflected in the proposed/current plan?
15. In your opinion will the proposed and ongoing changes to MI's services delivery model and policies change the level of service quality for people using the service?
16. In your opinion the proposed and ongoing changes to MI's services delivery model and policies will lead to a change in infrastructure asset quality and maintenance?

17. Do you believe the proposed and ongoing changes to MI's services delivery model and policies will lead to higher or lower cost to government?
18. Have you been previously asked by government or MI management on ideas for reducing costs or being more efficient related to your area of work?
19. Do you believe the private sector would perform your unit's tasks in a more efficient manner?
20. Are there opportunities for the services delivery to stay with the government but improve efficiency?
21. Do you have any other ideas for how you believe MI's services can be delivered more efficiently?
22. Do you believe the proposed and ongoing changes to MI's service delivery model and policies will lead to Manitobans getting better value from the money spent on infrastructure services?
23. Do you feel worker safety or the safety of the general public would be compromised if your job with MI or work related to your employment was privatized or contracted out?
24. What impact do you think the proposed and ongoing changes to MI's service delivery model and policies will have on workers':
 - a. Wages and benefits,
 - b. amount and consistency of work, and
 - c. working conditions and job satisfaction?
25. Do you see any other risks or benefits (not addressed in the questions above) of the proposed changes?

Additional questions for MI Supervisors/Managers

1. Is your unit's efficiency evaluated as part of your performance appraisal?
2. Are you responsible for a budget? Is meeting your budget reflected in your performance appraisal?
3. How often did management ask you to meet certain performance or financial targets? Did you meet these targets? How?

Endnotes

- 1 Kavanagh, “Deal Reached for New Owners to Take over and Repair Damaged Rail Line to Churchill, Man.”
- 2 Galloway, “It’s Devastating to See.”
- 3 Ireton, “As Federal Phoenix Payroll Fiasco Hits 2-Year Mark, Families Continue to Bear Brunt of It”; Wallace, “Burned by Phoenix — How Did Things Get so Bad?”
- 4 Prudham, “Poisoning the Well.”
- 5 Ferguson, “Privatized Snow Clearing Puts Lives at Risk.”
- 6 Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path for Manitoba*.
- 7 Hajer and Fernandez.
- 8 Hajer and Keith, *Air Services for All Manitobans: Assessing the Rationale for Privatizing Manitoba Government Air Services*; Manitoba Government and General Employees Union, “Recent Pallister Government Deals Revealed in Provincial Parks Are ‘Privatization, Pure and Simple’”; Manitoba Government and General Employees Union, “Province Privatizes Major Piece of Home Care Program”; Bernas and MacKinnon, “Manitoba’s Social Housing Plans Follow Failed Examples”; Hajer, “Social Impact Bonds: A Costly Innovation”; Geary, “Manitoba Closing, Selling Provincially Run Tree Nursery.”
- 9 Brown and Blundon, *Backgrounder: Privatization Overview*; UNISON, *Web of Private Interest: How the Big Five Accountancy Firms Influence and Profit from Privatisation Policy*; Silver, “KPMG: Reasons to Be Skeptical of the Advice They Offer.” The big 5 accountancy firms were the largest accounting firms in the world in 2002. There were formed from many smaller firms and went on to today becoming the big 4 accounting firms: Deloitte & Touche, Ernst & Young, KPMG and Pricewaterhouse Coopers.
- 10 Manitoba, “Review of Manitoba Infrastructure’s Services Delivery Model 15Q09222018,” 20.
- 11 Manitoba, “Ministry of Public Works and Agriculture.”
- 12 Manitoba, “Department of Highways and Transportation”; Manitoba Government Public Information Branch, “Statement by Premier Weir on Government Changes at a Press Conference.”
- 13 CBC News, “Meet Manitoba’s New Government Cabinet Members.”
- 14 Manitoba Infrastructure, *Annual Report 2019–2020*, 14–45.
- 15 Manitoba, “About the Department: Manitoba Infrastructure.”
- 16 Manitoba, “Central Services.”
- 17 Sean Kavanagh, “Lifeflight Staff Laid off as Province Continues Privatization of Manitoba Air Ambulance Service”; Pursaga, “Manitoba’s Water Bomber Contract Cost Rises.”
- 18 Manitoba Infrastructure, *Budget 2021 Main Estimates Supplement 2021/22*.
- 19 Manitoba, “About the Department: Manitoba Infrastructure”; Manitoba Infrastructure, *Budget 2021 Main Estimates Supplement 2021/22*.
- 20 Manitoba Infrastructure, *Annual Report 2019–2020*, 21.
- 21 Manitoba Infrastructure, 62.

- 22** Manitoba Infrastructure, *Budget 2021 Main Estimates Supplement 2021/22*; Manitoba Infrastructure, *Annual Report 2019–2020*.
- 23** Manitoba Infrastructure, *Annual Report 2019–2020*, 47.
- 24** Manitoba Infrastructure, 21.
- 25** Manitoba Infrastructure, 21.
- 26** Manitoba Infrastructure, 62.
- 27** Manitoba Infrastructure, 62.
- 28** Dangerfield, “Six Promises Manitoba Premier-Elect Brian Pallister Made during Campaign.”
- 29** Filmon, *Speech From the Throne to Open the Third Session of the 41st Manitoba Legislature.*, 2.
- 30** Civil Service Commission, “Publications: Annual Reports.”
- 31** The average total cost of a FTE civil servant, based on figures in the 2019/20 annual report, including salary, benefits and pension contributions is \$106,000/year.
- 32** Manitoba Infrastructure, “Reports and Expenses.”
- 33** KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 71.
- 34** Vehicle and Equipment Management Agency, “VEMA Annual Reports.”
- 35** Data in this paragraph from Vehicle and Equipment Management Agency.
- 36** KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 8.
- 37** KPMG, 4.
- 38** KPMG, 4.
- 39** KPMG, *Manitoba Fiscal Performance Review Phase 2 Report, Business Case: Rationalization from Reorganization*, 20.
- 40** KPMG, 5.
- 41** KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 80.
- 42** What this finding does not recognize is the operational nature of MI. MI employees are regularly responding to emergencies. Furthermore, with the reduction in staff without a reduction in responsibilities, the work fell to those who remained resulting in necessary overtime to fulfill the department’s responsibilities
- 43** KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 80.
- 44** KPMG, 80.
- 45** KPMG, 80.
- 46** KPMG, 100.
- 47** KPMG, 5.
- 48** KPMG, 4.
- 49** KPMG, 142.
- 50** KPMG, *Manitoba Fiscal Performance Review Phase 2 Report, Business Case: Rationalization from Reorganization*, 12,19.
- 51** KPMG, 14.
- 52** KPMG, 12,19.
- 53** KPMG, 19.

- 54 KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 182.
- 55 KPMG, *Manitoba Fiscal Performance Review Phase 2 Report Business Case: Capital Project Management and Delivery*; KPMG, *Manitoba Fiscal Performance Review Phase 2 Report, Business Case: Rationalization from Reorganization*, 11.
- 56 KPMG, *Manitoba Fiscal Performance Review Phase 1 Report*, 180.
- 57 Pursaga, “NDP Accuse Government of ‘Selling off’ Public Infrastructure Services.”
- 58 Manitoba, “Review of Manitoba Infrastructure’s Services Delivery Model 15Q09222018,” 20.
- 59 Manitoba, 20.
- 60 Manitoba, 20.
- 61 Manitoba, “Traffic and Transportation Modernization.”
- 62 Hajer and Keith, *Air Services for All Manitobans: Assessing the Rationale for Privatizing Manitoba Government Air Services*.
- 63 CBC News, “Manitoba Signs 5-Year Deal for Private Air Transportation”; Manitoba, “Manitoba Enters into Agreement for Suppression of Wildfires”; Manitoba, “Manitoba Enters into Agreement for General Transportation Air Services.”
- 64 Sean Kavanagh, “Lifeflight Staff Laid off as Province Continues Privatization of Manitoba Air Ambulance Service”; Shared Health, “Shared Health to Partner with STARS for the Delivery of Manitoba’s Critical Care Medical Air Services.”
- 65 Manitoba, “Province Launches New Online Motor Carrier Permitting Application System.”
- 66 Assembly of Manitoba Chiefs and Manitoba, *Memorandum of Understanding towards Reconciliation: Northern Airports and Marine Operations Transformation*.
- 67 Manitoba, “Province Launches New Online Motor Carrier Permitting Application System.”
- 68 Gibson, “Northern Communities Call for Reversal of ‘appalling and Unacceptable’ Cuts to Airport Maintenance Funding.”
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- 100** Research ethics approval was obtained April 7th, 2021, protocol number R2-2021:020 (HS24710).
- 101** Partially completed surveys were not collected or included.
- 102** Submission by Worker [branch undisclosed], April 27, 2021.
- 103** Interview with Worker in Other Infrastructure, May 31, 2021.
- 104** Interview with worker in VEMA, May 17, 2021.
- 105** Interview with worker in Motor Carrier Services, May 5, 2021.
- 106** Interview with worker in Infrastructure Construction, April 28, 2021
- 107** Ibid.
- 108** Interview with workers in VEMA, May 17 and 26, 2021.
- 109** Interview with worker in VEMA, May 5, 2021.
- 110** Interview with worker in VEMA, May 26, 2021.
- 111** Interview with worker in Motor Carrier Services, May 5, 2021.
- 112** Interview with worker in Infrastructure Maintenance and Water Related Assets, April 30, 2021; Interview with worker in Motor Carrier Services, May 5, 2021; Interview with worker in Infrastructure Construction, April 28, 2021; Interview with Worker in VEMA, May 17, 2021; Interview with worker in VEMA, May 26, 2021; interview with worker in VEMA, June 1, 2021; Interview with worker in Infrastructure Construction, May 6, 2021.
- 113** Interview with worker in Highway Maintenance, April 30, 2021.
- 114** Submission by Worker in Infrastructure maintenance and water related assets, April 17, 2021.
- 115** Interview with worker in Infrastructure Maintenance and Water Related Assets, April 30, 2021.

- 116** Interview with worker in Infrastructure Maintenance and Water Related Assets, May 25, 2021.
- 117** Interview with worker in VEMA, May 17, 2021
- 118** interview with worker in VEMA, June 1, 2021
- 119** Interview with worker in Infrastructure Construction, April 28, 2021.
- 120** Interview with worker in VEMA, May 17, 2021.
- 121** Interview with worker [details suppressed to protect identity].
- 122** Submission by worker in Infrastructure Construction, April 22, 2021.
- 123** Submission by worker in Infrastructure Maintenance and Water Related Assets, April 22, 2021.
- 124** Submission by worker in Infrastructure Construction, April 22, 2021.
- 125** Submission by worker in Infrastructure Construction, April 27, 2021.
- 126** Interview with worker in Infrastructure Maintenance and Water Related Assets, June 2, 2021
- 127** Interview with worker in VEMA, May 17, 2021.
- 128** Ibid.
- 129** Submission by worker in Infrastructure Construction, April 16, 2021.
- 130** Interview with worker [details suppress to protect identity].
- 131** Submission by worker in Infrastructure Construction, April 21, 2021; Interview with worker in Infrastructure Construction, April 28, 2021.
- 132** Submission by worker in Infrastructure Construction, April 16, 2021.
- 133** Interview with worker in Motor Carrier Services, May 5, 2021.
- 134** Ibid. Interview with worker in VEMA, May 17, 2021.
- 135** Interview with worker in Other Infrastructure, May 25, 2021.
- 136** Interview with worker in Other Infrastructure, June 1, 2021.
- 137** Interview with worker in Other Infrastructure, May 31, 2021.
- 138** Submission by worker in Infrastructure Construction, April 23, 2021.
- 139** Interview with worker in Other Infrastructure, May 31, 2021.
- 140** Interview with worker from Infrastructure Maintenance and Water Related Assets, April 30, 2021.
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- 142** Interview with worker from Infrastructure Construction, April 28, 2021.
- 143** Interview with worker from Infrastructure Construction, April 28, 2021.
- 144** Ibid.; Interview with worker in Infrastructure Construction, May 6, 2021; Interview with worker in VEMA, June 1, 2021.
- 145** Interview with worker from VEMA, May 5, 2021.
- 146** Interview with worker in Motor Carrier Services, May 5, 2021.
- 147** Interview with worker in VEMA, May 5, 2021.
- 148** Submission from worker in VEMA, April 25, 2021.
- 149** Submission from Worker in Infrastructure Maintenance and Water Related Assets, April 22, 2021.
- 150** Submission from Worker in Infrastructure Maintenance and Water Related Assets, April 22, 2021.

- 151** Interview with Workers in VEMA, May 6, 2021.
- 152** Submission from Worker in Infrastructure Construction, April 16, 2021.
- 153** Interview with Worker in VEMA, May 17, 2021.
- 154** Submission from Worker in Infrastructure Construction, April 21, 2021.
- 155** Interview with Worker in Infrastructure Maintenance and Water Related Assets, May 25, 2021.
- 156** Interview with worker in Infrastructure Maintenance and Water Related Assets, May 25, 2021.
- 157** Submission from Worker in Infrastructure Construction, April 16, 2021.
- 158** Interview with worker in VEMA, June 1, 2021.
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- 160** Submission from Worker in Infrastructure Construction, April 15, 2021. Interview with worker in Infrastructure Maintenance and Water Related Assets, April 30, 2021.
- 161** Submission by Worker in Infrastructure Maintenance and Water Related Assets, April 15, 2021.
- 162** Interview with worker in Infrastructure Maintenance and Water Related Assets, April 30, 2021.
- 163** Interview with worker in VEMA, May 26, 2021.
- 164** Interview with worker in VEMA, June 1, 2021.
- 165** Interview with Worker in Infrastructure Construction, April 28, 2021; Submissions by Worker in Infrastructure Construction, April 16 and 21, 2021.
- 166** Interview with Worker in Infrastructure Construction, April 28, 2021.
- 167** Submission from Worker in Infrastructure Construction, April 16, 2021.
- 168** Submission from Worker in VEMA, April 26, 2021.
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