

PRESENTATION TO

EXECUTIVE POLICY COMMITTEE

RE: SOLID WASTE COLLECTION SERVICES – CONTRACT FOR RESIDENTIAL MANUAL GARBAGE SERVICES IN THE NORTHEAST AREA OF WINNIPEG

SEPTEMBER 21, 2005

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CUPE Local 500

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RE: SOLID WASTE COLLECTION SERVICES – CONTRACT FOR RESIDENTIAL MANUAL GARBAGE SERVICES IN THE NORTHEAST AREA OF WINNIPEG

Introduction

CUPE Local 500 would like to thank you for the opportunity to appear before Executive Policy Committee to express our views regarding the recommendation to award BFI Canada Inc. the contract for the Manual Garbage Services in the Northeast Area of Winnipeg.

History and Recent Background

CUPE Local 500 worked with the Administration over the past year to develop internal cost savings that would have amounted to approximately $1 million per year. During these discussions and noted in many of the Union's briefs to the Alternate Service Delivery Committee, the Executive Policy Committee and City Council we stressed that by implementing these internal improvements the City would save money and ensure that future spikes in contractor costs could be curbed.

We opposed the city's move to privatize the entire collection operation because we strongly believe that the current mix of Public and Private delivery is best for the taxpayers of the City of Winnipeg. A mix of public and private collection gives the City of Winnipeg the practical capacity to assure competitive bidding for contracts, the reserve capacity to deal with unique needs and the ability to meet other city policy priorities. By selling off your assets, the City is creating a private sector monopoly and will be held at ransom if the predictions and assurances of management are wrong.

As you are aware on July 27, 2005 City Council voted to contract out all Manual and Automated Collection services currently being performed by civic forces.

Northeast Area of Winnipeg Collection Contract

In a submission to the Standing Policy Committee on Public Works dated September 8, 2005 the Administration recommended that Bid Opportunity No. 224-2005 be awarded to BFI Canada Inc., which is the lowest evaluated responsive bidder meeting the specifications.

The contract consists of the manual collection of garbage from about 42,600 residential units in the northeast area of Winnipeg, including Transcona, St. Boniface/St. Vital and North and East Kildonan as well as the manual collection of garbage from small commercial locations in the same areas.

There were three bids received from the private sector:

- BFI Canada Inc.
- International Paper Industries Ltd.
- Waste Management of Canada Corporation

The Bid Opportunity closed on July 29, 2005, just two days after City Council voted to contract out the South Area of the city.

As you will certainly note in the September 8, 2005 submission, the Administration had estimated that there would be an 11.6% increase from the current contractor cost. **After the three bids were submitted the low bid was an astounding 24.3% higher than the current contract.**

The reasons why the administration was justifying this 24% increase was outlined as follows:

- An increase in garbage volume being generated (21% more),

- Recent increases in and uncertainty about fuel costs, and
- Because the bids were close and there were a sufficient number of bidders.

In addition to the 24% increase in costs the contracts will also include an additional 3% per year to account for the Consumer Price Index (CPI) as stated in the tender documents.

Cost Differences

In our presentation to City Council on July 27 CUPE Local 500 contended that the cost savings indicated in the Business Plan were exaggerated. We also showed that if the internal improvements were acted upon with your city collection forces, there would be cost savings which would remain intact forever.

The Administration stated that they have a competitive bidding strategy that will keep private sector prices at the lowest possible levels. Is this the same competitive bidding strategy that we are witnessing today that has the administration recommending a 24% increase plus a 3%/year CPI increase built into the contract?

Mr. Mayor - on the floor of City Council and in response to comments about one or two multinational companies bidding on this work your response was **"this is rubbish, the fact is that five, yes five companies are bidding on the right to do this work".** There were only three companies bidding on this tender and there were no locally run businesses that were competing with the multinational companies.

The Union requested that our membership be allowed to show City Council that we could implement internal improvements that would result in significant savings of approximately $1 million per year. Noting the significant increases in the private sector costs, CUPE Local 500 is estimating that the city may only save about $800,000 (actually $793,778.29) per year in the northeast contract. If the internal improvements are implemented, the cost of using city employees would meet this private sector bid.

On the floor of City Council on July 27 Councillor Magnifico stated **"Anyone waiting to defer this for another year to wait for more proof is kidding themselves".** It turns out that we did not have to wait for another year. The bids that were received just two days after City Council voted to contract out all manual and automated collection should demonstrate the need for the City of Winnipeg to stay in the Solid Waste Collection business.

Productivity and Cost of Labour

During the past number of months the proponents of contracting out this service inside the City of Winnipeg have maintained that the productivity levels of the civic forces are less than the private sector. Since 2002 the productivity of civic forces has risen steadily. In addition to these gains your employees agreed to implement internal improvements that equal significant savings.

On the floor of City Council it was noted that the private sector pays its employees fairly to perform this work. CUPE Local 500 indicated that the wages paid to the private sector employees is based on tonnes of garbage collected. The more garbage collected the more they are paid. During the many discussions held prior to City Council voting on this matter the Union was offering ways to reduce the amount of garbage generated in the City of Winnipeg. We certainly should not be promoting the idea that it is good to generate more garbage - yet we employ contractors that promote the practice by paying their employees by the load.

We further indicated that the private sector has the ability to hire up to 15% of its workforce (to supplement its own workforce - sick leave, vacation etc.) from the agency labour market and pay those workers as little as $8.25 per hour. This type of hiring practice should not be condoned by the City of Winnipeg.

Risk Involved in Delivering Collection Services

The May 6 Business Plan claims that the risks associated with achieving savings by implementing the internal improvements are numerous and significant. The Union continues to assert that the risks in using a proven workforce are minimal when compared to completely giving up any presence in the service.

We argued that the risks of contracting-out collection were greater and with the substantial increase in the bids received for the Northeast Contract we can say we were right. The question that follows is obvious – is it still in the city's best interest to be completely out of the business?

Many times during this public debate city officials and politicians have stated that if the city starts to experience high contract prices the City of Winnipeg would then have the option of getting back into the business.

Should the current bids not be viewed as a warning for things to come in the future while you still have the ability to stay in the business?

Recommendations

- ✓ In recognition of the substantial increase in the private sector prices for the Northeast Area contract that the City of Winnipeg reconsider the contracting out of all manual and automated collection currently being delivered by civic forces in the South Area;
- ✓ EPC not approve the award of the Northeast Contract;
- ✓ That the City of Winnipeg implement the internal improvements as noted in the May 2005 Business Plan in both the South and Northeast Areas of the city;
- ✓ That City Council instruct the Administration to develop and implement a plan to reduce the amount of solid waste currently generated in the City of Winnipeg.

Conclusion – City Cost Equal to or Better than Private

CUPE members who work in the Solid Waste Division believe that a public/private mix of solid waste collection can provide the practical balance and comparisons to maintain productivity, cost and service controls that the public system needs.

For the apparent difference in costs between city and corporate collection, city residents receive the ability to assure quality service, to address other waste management needs, and to provide for other social needs of citizens. CUPE members believe there is a better approach to dealing with solid waste, one built on cooperation between frontline workers, managers and politicians.

The past and current management style has led to demoralized workers and has generally created the conditions for a less productive service centre. Your employees have increased their productivity substantially over the past three years under adverse conditions and we now see that our costs to deliver this service are no longer out of line. As indicated in previous briefs the Union believes that our costs are a bench mark of the business - not a ceiling. You have received a commitment from this Union and our members on at least three occasions to deliver the internal improvements. This is more than the commitment that you now see from the private sector.

CUPE Local 500 urges EPC to reconsider this recommendation to contract out all collection services.

As a final thought - Mr. Mayor - on July 27 you indicated the following: ***"During these dialogues I said listen, you do not have to attain 100% of the savings. Get us close 80% - 85%. Show me something."***

Given the current bids for the Northeast Area of the city, your employees can provide collection at a cost that is very close – if not better than – the private sector prices. By keeping the collection services in-house, the city can benefit now and in the long term.

CUPE Local 500 would like to once again thank you for the opportunity to present our views on the awarding of the Solid Waste Collection Contract for the Northeast Area. We hope that good sense and a commitment to Winnipeggers will allow this Committee to recommend a change in a previous decision, that is best for everyone.

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