

PRESENTATION TO

EXECUTIVE POLICY COMMITTEE

OCTOBER 19, 2005

RE: SOLID WASTE COLLECTION

702-275 Broadway, Winnipeg, Manitoba R3C 4M6
Phone (204) 942-1001 / Fax (204) 956-1439
Internet site: **http://www.cupe500.mb.ca**
E-mail: **union@cupe500.mb.ca**

President: Mike Davidson
National Representative: Greg Mandzuk

Presentation Outline

1. Introduction
2. Cost Differences
3. Manual Collection
4. Automated Collection
5. Private Sector Risks
6. Conclusion

INTRODUCTION

CUPE Local 500 would like thank you for the opportunity to appear before Executive Policy Committee. We want to express our views regarding the recommendation before you today to approve the contracts for Manual and Automated pick-up in the areas currently being provided by city staff.

CUPE Local 500 must once again state that we are opposed to the awarding of these contracts and strongly believe that the best service delivery model is the current one, which is based on a mix of public and private collection. 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 approving the award of these contracts you are basically creating a private sector monopoly for garbage collection in the City of Winnipeg. If approved, BFI will hold three out of four contracts in the city with the other contract being held by WMI for the remaining two years of that contract.

As we have said before, a monopoly will lead to poor service at a higher cost. City taxpayers are going to absorb the risks in contracting out garbage collection and ultimately will not see any savings or tax reductions.

COST DIFFERENCES

Over the past year a number of costs have been publicly debated by the parties involved in delivering solid waste collection. The Administration maintains that cost savings would be realized in the range of $2 to $3 million if this service was completely contracted out. These estimated cost savings were extended over a ten year period to make the amounts involved look greater.

The Union has maintained that the cost savings that are being estimated by the city are artificial at best and incorrect at worst. The contract awarded for collection in North East Winnipeg in September is an example of how uncontrolled market prices really are.

Using the city's figures, we maintain that efficiencies we have already implemented, and the internal improvements we could make to the city's waste collection, could save taxpayers up to $2 million a year.

Today you will be looking at estimates for Manual Collection that are well above what was estimated by the Administration. These cost increases are quickly disregarded when they turn your attention to the savings in the Automated Collection award. With each bid put before you, the facts are becoming clear – the estimates used by the Administration in the May Business Plan were wrong. In other words, the information you had in July, on which you decided to contract out all garbage collection, was not at all accurate!

CUPE Local 500 has taken the private sector bids and added in an amount for the wage rates that the City of Winnipeg uses to pay its employees. If the private sector were to pay its employees a fair wage such as the City of Winnipeg offers its employees (about $36,000/year) for performing these duties, the private sector bids would be more than what it costs the Solid Waste Division to provide the current service today. When you take into consideration the Internal Improvements which your employees have offered the city, the cost of contracting out is more than what it would cost to maintain the public collection.

The Union has not heard any politician say that you are paying your employees too much to perform this back-breaking work so we openly wonder why you would want to hire contractors that would pay their employees with less than a living wage for such gruelling work.

MANUAL COLLECTION

As indicated earlier the contract cost of the Manual Collection contract for the South Area of the city is 11% over current costs and well over the estimated cost that the Administration had predicted in the Business Plan. This is the second consecutive contract bid that has been received by the city for manual collection that is well over what was estimated. The Administration states in this report that:

"The low bid is 11.1% above the pretender estimate but is similar in cost to other manual collection contracts, namely 224-2005, which was recently awarded for the northeast area of Winnipeg."

As you will remember the northeast contract was 24% over the pretender estimate, so any bid that we now receive under the 24% is a competitive bid? Have we now established 24% as a benchmark for future contracts?

This dramatic increase in overall costs from the private sector is exactly what CUPE Local 500 has been saying would happen. The Administration's so called "competitive bidding strategy" that will keep private sector prices at the lowest possible levels is failing miserably and we are only three contracts into this private sector monopoly.

Once again we see only 3 companies bidding for the right to provide this service. **Not 5 companies. Not Local companies.**

The profits that are being siphoned out of the City of Winnipeg are being siphoned out by multi-national companies that pay less than what can be described as a "living wage" and the community as a whole is losing.

Using that quote from the floor of Council on July 27th by Councillor Magnifico:

"Anyone waiting to defer this for another year to wait for more proof is kidding themselves."

Well as it turns out and as we witnessed in the North East contract we do not have to wait for anymore proof. The City of Winnipeg needs to stay in this business.

AUTOMATED COLLECTION

It is noted in the Administration's Report that the contractor bids for this work has come in under the estimated cost. Before we all start applauding the prices it is interesting to note that the low bidder (BFI) is the same company that is the low bidder for the Manual Collection which came in unusually higher than the estimated amounts predicted by the Administration.

During our discussions on internal improvements with management the Union discussed our current auto-bin service that is only provided by civic forces. During these discussions the Administration admitted that there are no comparable contracts or experience to use for judging the cost effectiveness of this automated service, yet they recommended contracting it out. The original position of the Administration was that these services should remain in-house with internal improvements being implemented. This position changed after the Administration had discussions with one private contractor and showed this contractor the bottom line cost. The contractor they had this discussion with was BFI; the same contractor that just happens to be the low bidder for this work. The administration asked the contractor if they would be interested in this work but they never asked your employees if they would be willing to implement the internal improvements.

Hardly seems fair.

The only part missing in the Administration's report today is that with the internal improvements implemented civic forces would be competitive with the private sector.

As you put it so eloquently on the floor of Council on July 27th Mr. Mayor:

"During these dialogues I said listen, you do not have to attain 100% of the savings. Get us close 80% - 85%. Show me something."

Well Mr. Mayor, we are here today showing you something. Although the Administration came up with internal improvement savings resulting in excess of $800,000 per year in Automated Collection they did not even have the decency to ask your employees if they would participate.

PRIVATE SECTOR RISKS

In the Business Plan produced by the Administration they talk about the risks associated with the contracting out option.

"The most significant risk with this option is the escalation of contract pricing. This concern would be related to a reduction in the number of companies bidding on contracts and a monopoly being held by one company."

The administration goes on to state:

"The risk of increased contract pricing is considered small due to this contracting strategy. In the event that the option implemented includes a contracting out component and the price of the contract escalates to beyond the cost of doing the work with city employees and equipment, it would not take long for employees to be hired and equipment acquired to do this work."

You still have this option today, because you still own the equipment and still have employees that can perform this work today.

CONCLUSION

In closing, CUPE Local 500 urges Executive Policy Committee to not approve the bid as recommended by the Administration. In light of the bids that you have received from the private sector since July 27th, the Union further urges EPC to ask the full Council to reconsider the decision to contract out all of the manual and automated collection.

You have seen evidence that the market price increases are very unpredictable. Even when the bid comes in lower than estimated (Automated) there is evidence that shows that your employees can provide this same service at a competitive price.

Your employees have increased their productivity substantially over the past three years under adverse conditions. Now we see that our costs to deliver this service are no longer out of line if you give your employees the trust to deliver internal improvements. CUPE believes that our internal costs can be a benchmark of the business, not a ceiling.

The City of Winnipeg can still set its own direction for the future - a future that does not include selling off assets that were paid for by the citizens of Winnipeg.

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 Contracts.

We hope that good sense and a commitment to Winnipeggers will allow EPC to recommend reversing a previous Council decision, that is best for everyone.

GM/jk/cope 491