SPEAKING NOTES
in response to the Alternate Service Model Proposal
for a City of Winnipeg Utility Corporation
at City of Winnipeg, Executive Policy Committee, November 12th 2008

Recommendations made by Department Corporate Finance
based on the Proof of Concept Report, "A new Model for the City of Winnipeg's Utility Services" by Deloitte & Touche LLP

His Worship, councilors, senior administrators, good morning. My name is Liam Martin and I am here this morning on behalf of the Winnipeg Citizens' Coalition. Fostering more citizen participation in municipal affairs, ensuring more open and accountable civic government, and protecting the public services that we all depend on are the cornerstones upon which the Winnipeg Citizens' Coalition was founded, so I trust you can understand why I am here to speak to you this morning.

The report and proposal before EPC today, to establish a City owned Municipal Corporate Utility, is raising serious concerns in the community that I would like to address. We fear that this proposal is essentially an effort to privatize water and waste services for the residents of Winnipeg, which could mean higher costs and less service for the public. While the proposal is being presented to the people of Winnipeg as a way of reducing costs and minimizing operational risks for the public, we fear there might be ulterior motives at play that will ultimately reduce government responsibility and increase business profitability.

The Deloitte & Touche report and recommendations to establish a City owned Municipal Corporate Utility is a radical change in how utilities would be delivered, that will reduce the public's access to and authority for water and waste services. While the report states boldly that "a new arm's length business set up to operate city owned utilities" will improve accountability, we contend that the opposite will happen.

We have a number of concerns with the Deloitte & Touche report.

- First, it is not based on an analysis of current City of Winnipeg capacity to deliver water and waste services,
- Second, it recommends a governance structure and delivery method that has been discredited in practice across Canada, and

- Third, the report and recommendations were prepared without due consultation.

First, the report is **not based on an evaluation of the Department of Water and Waste's current capacity to deliver services**. There is no clear explanation nor justification in the first place for the need to radically change the delivery model. In fact, the report even notes on page 23 that "The WWD has a good track record in terms of providing services in a manner that protects public health and stewardship of the environment."

References in the report to cost overruns and delays of capital projects are a case in point, where existing WWD capacity is indirectly faulted, but there is no analysis of where the fault lines are, who is responsible and why. Current increases in construction materials and energy costs are largely at play in this situation, but the report ignores any external causes for the problems the City has encountered.

Without an analysis of what the WWD is failing to do, all the arguments in the report on what should or could be done better, are merely promotional, not analytical.

Our second area of concern, is that the involvement of the private sector and the reliance on **a "business like" management model is not presented in a fully balanced** manner. The inclusion of a private agency to actually design, finance, build and operate the components of the Utility (as a public private partnership – P3) is presented without sound analysis nor any serious representation of the limitations of this approach.

On the bases of this rationale, city officials then claim on page 6 of the recommendations that "Increasingly stringent wastewater effluent standards and more vigilant enforcement in the future will be met or exceeded through a rigorous system of monitoring and accountability provision of management contracts." (page 6 of the recommendations) The logic that a private company will be more diligent and committed to environmental protection than a publicly mandated body is just a small example of how flawed the underlying assumptions of this report are and how far city officials are willing to go along with these assumptions!

The reality is that there are numerous examples of failed P3 water and sewage ventures. One need only look at the experiences of Halifax, Hamilton, Victoria and more recently Edmonton (which owns EPCOR) to see the weaknesses in the P3 approach, and how municipal governments have had to take on costly professional and legal support in dealing with private companies.

Finally, there has **not been sufficient consultation on the proposals**. The report says there were internal discussions and some effort to meet with the Provincial Government and the unions representing city staff, but this is not consultation. We knew about the commissioning of this report and what city officials were planning to do, but there was no serious consultation of people who are experts in urban planning, management of public funds nor environmental aspects of water and waste management.

More importantly, the general public was not consulted. There must be full public consultation on a change of this magnitude – a change that will undoubtedly affect the way that our city operates for generations to come - to a valuable city service that is being proposed.

We are suspicious that the public was not likely consulted because the authors knew of studies and surveys in other parts of Canada that have exposed public hostility to private sector delivery of public services and utilities.

We should be very clear, that as citizens and taxpayers, we do not see anything in this report that should be seriously considered by EPC or Council. **The D&T report is based on faulty analysis, logic and assumptions** which culminate in recommendations that could jeopardize the delivery of a very important city utility.

Much like the Economic Opportunities Commission report of 2006, the report before you today advocates reducing government over site, responsibility and authority for services on the weak assumption that "business like" operations will be more able to assure regulatory compliance and risk management.

While there may be some merit to genuine 'crown corporation like' bodies providing public services and utilities, like Manitoba Hydro, this is not what the D&T report is proposing. The City of Winnipeg Municipal Utility is a façade for private delivery of service, without the public controls and assurances that taxpayers expect.

To add insult to injury, the proposal going to EPC and likely to Council has a $4.5m price tag – in other words, the proposal is to have taxpayers pay to sell (or give away) their water and waste system to private interests.

As a concluding remark, this kind of proposal coming to a key policy making body and then to the political representatives of Winnipeg's residents, give us a great deal of anxiety. The proposal, with such a heavy reliance on private sector involvement and 'business like' thinking, further **reinforces public perception that Council is committed to gutting government while feeding business**. We have no objection to government and business collaborating to provide the public with efficient and economical services. But when it appears that politicians want to turn government into a business, where profit is the determining goal, not the benefits to the public, then we have a huge problem. The City of Winnipeg has commitment and means to provide secure, affordable, water and waste services. The private sector does not!

We should not privatize what is a public asset and which is being provided effectively now.

Thank you.