Presentation to EPC July 15, 2009
Council of Women of Winnipeg and the Provincial Council of Women of Manitoba

The Council of Women of Winnipeg and the Provincial Council of Women of Manitoba thank you for the opportunity to make a presentation in opposition to the proposed changes to the way in which water and waste services are delivered to the people of Winnipeg. We understand the pressures on the city that have led to the development of the plan. The city is facing expensive upgrades mandated by the Clean Environment Commission, upgrades that our councils support. We also know that expensive cost overruns have shocked the city into investigating a system that could potentially reduce the city's vulnerability to these costs. We don't see this as a nefarious plot, and we recognize it is not about privatizing water. However, we are opposed to both elements of the plan, both to the formation of a Municipal Corporate Utility and to the subsequent formation of a Strategic Partnership to finance or partially finance, design, build and operate a waste water treatment plant. There is also the issue of the public consultation process, which we would like to address.

The Stand-alone Water and Waste Utility. Do we need it, and are there better alternatives?

Winnipeg's Water and Waste Department works efficiently and effectively. Even the business plan for the proposed Municipal Corporate Utility sings its praises. The department is committed to exceeding customer expectations, to improving the state of the environment, to increasing efficiency, to implementing best practices and to maintaining a high quality working environment for its staff. It has in large part achieved these goals. The general rule of thumb is "if it ain't broke don't fix it." The establishment of a stand-alone water and waste utility would be an expensive fix to problems that could be addressed more directly, and inexpensively, by giving the department the resources it needs to address today's challenges. The loss of this effective department could be something that Winnipeg would come to regret.

The major problem that the utility has faced in the past few years lies at the doorstep of City Council, which raised sewer and water rates on the grounds that expensive upgrades were needed and then proceeded to raid the funds to balance its budget. I am assuming you all recognize this as a mistake. This year you demonstrated that you do not need to put yourselves into a pair of handcuffs to keep your fingers off the revenue the department badly needs. A by-law that prohibits council from dipping into the funds would be both simpler and less costly. Better still, Winnipeg could look to the City of Seattle, Washington for an example. Seattle has set up its various departments as "companies", each with its own budget. Seattle's several utilities are models of transparency and accountability. Each utility has an advisory committee made up of informed volunteers. These advisory committees work with the department employees to suggest changes which then come before city council for a vote. These are not toothless committees, and they cost the city practically nothing. Board meetings and advisory committee meetings are open to the public, and in at least one case the public can dial a number to listen in to a meeting as it is in progress. The result is innovative programs that are the envy of many environmentalists. It is not a perfect system, but there are elements that are worth emulating.

Seattle's structure is a stark contrast with what is being proposed in the Municipal Utility Business Plan. Although the claim is made that there would be more transparency with a standalone utility, the opposite is certain to happen. All contracts made by the utility with private strategic partners would be proprietary information and would not be subject to freedom of information requests. Not only is a municipal corporate utility inherently less accountable, but also the plan calls for special measures to ensure that this particular utility would have the least amount of what it calls political

interference, something which could also be called public scrutiny. The plan suggests that the utility would seek to have its capital budget freed of scrutiny by the PUB. It would be answerable directly to City Council for its capital budget, but Council's role would only be to accept or reject, not to have input into the plan. The utility would have a private firm select members for its board. That slate would then be ratified on an all or nothing basis by City Council, just as is the case with the utility's annual budget. The role of City Council is reduced to that of a rubber stamp, unless councillors vote to scuttle the whole thing.

A major aim of the business plan seems to be to get rid of politics, but we should be careful what we wish for. The word politics comes from the Greek word *polis*, which means city. Politics in its root meaning refers to the affairs of the city. Politics is the vehicle through which citizens choose their representatives and influence public affairs by giving direct input into decision making processes. This open meeting of EPC is an example. In our society another word for this process is democracy. The plan reflects suspicion of the democratic processes that should govern a city. Democracy is what would be eliminated by the proposed municipal utility. One public-show-and-tell each year offers no opportunity for citizen input.

Although Bryan Gray said at one open house that the city could still set terms on sales of water to exurbia, as it now does, it is clear from the plan, that such limitations would be regarded as political interference. It is evident that the intent is for the utility is to be free, as soon as possible, to sell water and sewer services to the surrounding municipalities. All that seems to matter is the bottom line. No account is taken of what impact the extension of water would have on urban sprawl and possibly the relocation of Winnipeg businesses to lower tax jurisdictions. There is nothing in the plan to suggest that the utility would take into consideration Winnipeg's need for water to meet future growth within its city boundaries. A few decades ago there was talk of an imminent need to twin the aqueduct. Water conservation has postponed that date, but the resource is limited. If we expand delivery of water into exurbia, could water shortages and rationing be the result down the road? This is not even mentioned as one of the risks facing the utility. There may be extension of services which would prove to be profitable, in every sense, but City Council will lose the ability to make sure that there is full cost accounting that takes into account the social and environmental costs. Only public scrutiny can guarantee the triple bottom line: social, environmental and financial.

The plan tells us many ways in which the utility will be more expensive. There is a whole new layer of bureaucracy, board expenses, and costs related to rate hearings before the PUB. The projected savings are attributed to largely unspecified efficiencies and bulk purchases.

<u>Strategic Partnership Would it save us money?</u>

Obviously our water and waste department does not have the expertise to design and build a sewage treatment plant on its own. The job needs, at the very least, to be contracted out. The plan proposes a strategic partnership, which appears to be a hybrid form of a P3, one that leaves the assets in the hands of the city. That sounds good, but the savings achieved by strategic partnerships could be illusory. When firms are competing for a bid, it is in their interest to lowball the costs to beat out their competitors. This leaves the city vulnerable to cost overruns, and the city has been stung by many such contracts. By contrast, it is in the interest of the strategic partner to highball costs so that it will look good by coming in under budget. The actual cost to the city could well turn out to be the same, although it one case it will appear to be over budget and in the other case under budget. There are no guarantees that P3s will spare the city from cost overruns, as the city has already learned with the Charleswood Bridge.

In addition to the added costs that the utility would incur, there are further costs that would be associated with the formation of a strategic partnership. There would be a third layer of bureaucracy, increased legal costs and a higher rate of borrowing if the partner is to provide some or all of the

financing. (At the forum it was suggested that, contrary to the plan, the city might not use private funding, should it be more costly. If this should be the case, it is not explained why the private partner could still own up 49% of the strategic partnership.) Despite all these costs, the plan suggests that the operating costs would be 12% lower due to mostly unspecified efficiencies. The only way I could see for the partnership to achieve this level of savings would be through lower labour costs, which are the major expense of the facility. Although guarantees have been given to employees that their union contracts would be respected, the plan states that 28% of the workforce will be retiring within the next four years. Would the saving come in replacing them with nonunionized workers working directly for the strategic partner? If so, this could cause a significant deterioration in the relationship with the union, with potentially costly consequences. This is speculation, but it is hard to see any alternative way in which such savings could be realized.

The Consultation Process Has it been adequate?

Winnipeg is currently in the midst of a long and inclusive consultation with its citizens on Plan Winnipeg. There could be no greater contrast to the way in which this proposal is being presented to the people of Winnipeg. The two public open houses were scheduled before the plan was available to the public, and there was no real dialogue. Until our councils and the Green Action Committee of the Unitarian Church arranged a public meeting, there was no forum in which the public even had a chance to hear a presentation. More than two hundred people attended our meeting. While the project team did answer questions previously submitted by the Councils of Women, they were not authorized to answer any questions posed by the audience, even in written form. The city needs a more inclusive and interactive consultation process. Some of the unanswered questions are appended to our presentation, which has been filed with the clerk. Although the gathering at our forum lacked any real organizational authority, the attendees unanimously passed a motion asking City Council to postpone the vote on this matter until a comparative analysis of all options could be made.

Recommendations

We ask that City Council postpone the vote on the two aspects of this proposal. We are aware that the City is facing deadlines for upgrades to its water and sewer services, but it would be far better to ask the province for a short extension than to lock the city into a system that does not best meet the needs of the people of Winnipeg.

We recommend that the city look into Seattle's organization as a possible model for structuring the relationship of the Water and Waste department to City Council and to the people of Winnipeg

We recommend that the city undertake a more thorough and balanced investigation of P3s to determine whether or not they are the best way to achieve economic investment in the city's services and infrastructure and conduct a comparative study of the alternatives.

Presented by Carolyn Garlich, on behalf of the Council of Women of Winnipeg, and the Provincial Council of Women of Manitoba

July 15th, 2009

Could you show by a simple diagram where the money to be paid to the private company comes from?

It is not clear whether the proposed MCU will or will not be responsible for water. The mandate includes water, but Brian assures us it will be confined to the construction of sewage –treatment plants.

How can we hold a private sector "strategic" partner accountable for cost overruns if we apparently can't hold the city accountable?

Why cannot all of these improvements and opportunities be done under the current model?

If city hall processes are cumbersome and limit "staff" ability to do their jobs, why can't we change the processes instead of engaging a "strategic" potentially profit-sharing partner? Let's fix what's really broken.

Extension of services outside Winnipeg. What plans have been made to control undesirable side- effects of extending water and sewer services outside the perimeter? eg. land speculation, pressures for urban sprawl and withdrawal of land from agricultural use.

I understand that EPC is meeting to ask for a regulation by the Province of Section 211. They also wish to be involved in section 212 of the Winnipeg Charter Act. They wish to provide property or services outside the city or with any other Municipality. What will this mean for city water and waste services?

If water consumption is falling, why do we need a private partner?

Please clarify how the city can be the sole shareholder and still offer shares to the Strategic partners.

Governments cannot be held accountable, technically or financially. Why does not the city contract out the construction and operation of WWTP'S to competent private companies that can be held accountable in every way? The US and others have done this well.

In all your research and work in developing this proposal for city council, is the future really as rosy and perfect as you have described it to us tonight?

I recall reading an article about US cities that have returned to city- run services like water after they found that privatization didn't work out well financially and otherwise. Has our city government checked into this and spoken to these city governments.

Did the research for the proposal include the World Bank guidelines for Privatization of water systems?

How have Winnipeggers been consulted? We all own this Utility and it appears that we are not being given the opportunity.

Are you saying the managers we now have cannot control costs of projects? You have said that a lot of money was collected by the utility and used in general funds. Is this why we have a billion dollar bill now? Where does the $6.12 M saving come from?

How much rate increase do you foresee in the next 5 years?

In the early 1900's city utilities were developed due to excessive charges by private utilities. Bottom line profit is still the operative word for private companies. We wish to retain our public utilities. It is my understanding that under NAFTA, any privatization of a public utility will provide an opening for other

How would the proposed Utility Corporation affect the ability of the city to set sustainability, fair trade or social justice criteria for its procurement policies or worker contracts?

If the city owns 100% of the assets, who is responsible for costs of repairs once the " design, construction and optimization" aspect is completed?

In the city's endeavor to be transparent... why is this meeting and EPC meeting being held in July? (When a large percentage of our residents are out of the city on vacation!)

The lawyer who made the presentation, kept assuring us that the system would be 100% city- owned, but during his presentation he briefly mentioned a process by which the city charter could be changed, thus opening a valve for the city to sell their ownership stake. Please confirm or deny.

Given that the Province passed the " Stricter Environmental Standards" in 2005 -2006 and the resulting need for the city to upgrade the NEWPCC and the SEWPCC, why has the city left these projects unaddressed for 3-4 years and until 2008 continued to shift surpluses to general revenue rather than using it for capital investment? What do you say to critics of the MUBP who assert that the city has been deliberately negligent in planning, so that they can use the new environmental standard as an excuse to privatize a public good?

Apart from physical assets ownership, which is not considered important in modern business theory, will there be major long- term operating contracts for foreign corporations as happened in Jersey City, NJ?

Your presentation excluded comment on actual water ownership. How does that factor into your partnerships? Who will own our water?

How many Public Service jobs can be lost if a Private Partner is brought in to manage water and waste services? i.e., How many people are presently employed in water and waste services and construction management? What assurance do we have that all of these people will retain their jobs?

If this Utility has a partner, what benefit to the partner if the city retains 100% ownership?

I still don't get the difference between an "arms- length corporation" and a private partner. Is the difference 100% city ownership or 50% +/- 1?

What do you tell grandchildren when they start paying for the arms- length managers?

Given that MUBP states clearly that jobs will not be lost and wages / benefits will remain unchanged, how will the operational cost savings be achieved? Additionally, how exactly will savings be realized through strategic partner procurement?

Does one call the city or the manager if a citizen notices a sewer pipe break?

How many managers may be needed for the project?

What guarantee is there of never/ever having foreign ownership of any kind?

What models were looked at that have failed? London? England?

Why is water rate not under the PUB now? Will it be?

What are the long-term implications?

What are the alternatives?

What are the NAFTA implications of this agreement? Both the FTA and NAFTA, which govern both goods and services (including management) explicitly dictate that when any public good or service moves to the private sector, no government can discriminate against a company from any other country. Directing this to a Canadian supplier only could trigger a court challenge under Chapter 11 of NAFTA. Has a legal opinion been obtained by the city. If so, who provided that opinion?

In the past, the city has used profits from the water and waste department to subsidize city revenues, but city tax rates have not increased in the last five years. What will the city do once Water and Waste are not part of the revenue structure?

Will this proposed Partnership include sales to USA?

If a cost savings analysis has been done on implementing a Strategic Partnership, where will those cost savings come from?

To incur a cost savings of $6.2M, how much money will be spent? i.e. what proportion of the total budget does $6.2M represent?

For all the research, investigation and analysis that the project team conducted, can you cite specific examples of how water and waste service privatization has failed in other Canadian cities, and how your MUBP will avoid these pitfalls and errors in judgment made by other municipalities?

Has City Council studied information from other Provinces? (eg. Alberta) What experiences with " arms - length management models" does the city have?

Was Barbara Biggar – who worked for the previous Filmon Government when MTS was privatized, involved in developing this proposal?

Carolyn offered the opinion that the arrangements with private partners would be proprietary information. I think that Brian dealt with that when he said that the PUB would have the power to demand that information. Who is right?

How will we know that this process will save us money, which seems to be the main focus for doing this? They privatized garbage pick-up (St Vital) for the so- called same reason, but failed to tell us how much they are saving each year.

Through what means will the Utility establish and communicate its corporate identity to stakeholders? What benefit will accrue to water rate payers and city of Winnipeg tax payers with regard to having their municipally owned water utility establish its corporate identity?

Why would a P3 be needed after construction is completed?

I really cannot see how the city could approve projects without having a hands on understanding of the work contracted out. An arms- length idea is nuts. Who will be responsible?
Remember what happened in Waterton, Ontario.

Unanswered questions from the public attending meeting at the Unitarian Church, Winnipeg July13,2009

Why was the consultation process driven only by a P3 model without other community voices? To date the public consultations seem to engender more questions than answers.

How much was spent on research?

The privatization of the water and waste utility was not an issue in the last civic election. Should there be an emergency session of the Manitoba legislature to prevent this monumental change? Can there be a non Confidence vote on this issue and call an election?

If there were a change in the party governing the province, could the utility be sold to private shareholders?
What would prevent the utility from moving along the same path as MTS?

What was the trigger for this report or business plan? Did it come from councillors or from public servants?

By how much would water and waste rates increase to pay for the Utility managers?

One of the slides shown at the forum mentioned "revenue opportunities". What does this mean? Please give examples.

What are the assets that the private strategic partner would own, if all the physical assets belong to the city?
What incentive is there for a private firm to become a partner to such an agreement?
Could you please define stake? Is that equal to a share on the stock market?

If the city owns the facilities, who will be responsible for costs, operation, salaries etc? Will the city "inherit" the facilities when they are worn out?

What recourse will Winnipeggers have if they disagree with the decision to provide water and waste to exurban communities?

Will Canadian jobs be protected?

Given the Utility governance structure outlines in pg 48-49 section 82, the EPC and Council can do little more than oppose the Utility's plan. How can you assert that the accountability and control of the utility is ensured to the public through their elected representatives. Does freedom from political interference mean freedom from public scrutiny?

No reasons were put forward for a new management model once the new facility is built. What would be the advantages of such a model?

"Savings" have been touted-$13 million last week and $6 million today. That's chump change. We're talking about a $1.2 billion project (2003).