Agenda - Executive Policy Committee - April 14, 2004

Report - Standing Committee on Alternate Service Delivery - April 13, 2004

Item No. 1 Provision of Solid Waste Collection Services
File WT-1

STANDING COMMITTEE RECOMMENDATION:

On April 13, 2004, the Standing Committee on Alternate Service Delivery concurred in the administrative recommendation and submits the following to Council:

1. That the Administration be directed to prepare a business plan consistent with the collective agreement and the Alternative Service Delivery (ASD) process related to the provision of solid waste collection services in the City of Winnipeg providing a comparison of the following alternatives;

   A. Productivity improvements for City staff currently providing the service; or

   B. Contract out the manual collection and/or AutoBin collection work currently done by City forces.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

Agenda - Executive Policy Committee - April 14, 2004

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DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On April 13, 2004, the Standing Committee on Alternate Service Delivery concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

RE: PROVISION OF SOLID WASTE COLLECTION SERVICES

FOR SUBMISSION TO: Alternate Service Delivery Committee

ORIGINAL REPORT SIGNED BY: Director of Water and Waste Department

REPORT DATE: March 16, 2004

RECOMMENDATION(S):

That the Administration be directed to prepare a business plan consistent with the collective agreement and the Alternative Service Delivery (ASD) process related to the provision of solid waste collection services in the City of Winnipeg providing a comparison of the following alternatives;

1. Productivity improvements for City staff currently providing the service; or

2. Contract out the manual collection and/or AutoBin collection work currently done by City forces.

REPORT SUMMARY

KEY ISSUES:

- Further to the 1999 Alternative Service Delivery Study, when Council elected to provide some collection services with City forces, the department is reporting on the costs of public versus private solid waste collection.
- An analysis of costs for public and private manual collection shows that the cost for public collection (city forces) is significantly higher than the cost for private collection (contractor).
- The gross operational costs of refuse collection could be reduced considerably (approximately $3.0 million per year less transition costs) if the service was contracted out. The net cost saving would be less than $3.0 million because of the cost of transition associated with employment security under the collective agreement. These costs will be quantified in the business plan.
- The status quo is not acceptable in terms of value and accountability. CUPE representatives have indicated that CUPE supports this conclusion.
- The alternative service delivery process that is recommended can lead to contracting out if internal improvements cannot close the gap to a degree acceptable to City Council.
- Prior to any recommendation for action, the collective agreement requires preparation of a business plan that considers internal improvements that could be made and details all impacts on staff; savings that can actually be achieved; and the costs of training and staff redeployment.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
X	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment(s): Contracting out of services will have implications for the organization in terms of its relationship with CUPE, the City's largest labour union.

Policy Implications

	No
X	Yes – Comment(s): Approval of the recommendation signals a willingness to consider contracting out of 100% of solid waste services.

Environmental Implications

X	None
	Yes – Comment(s):

Human Resources Implications

	No
X	Yes – Comment(s): If approved, the preparation of this business plan will involve an HR transition plan in the event that internal improvements are made or this service is contracted out.

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s):

Report

REASON FOR THE REPORT:

To provide an update on the implementation of internal improvements and cost reductions for solid waste collection as outlined in the Alternate Service Delivery Committee recommendations adopted by Council on July 19, 1999.

HISTORY:

On July 19,1999, Council approved the recommendations of the Alternate Service Delivery Committee that included, in part, that City forces continue in the direct delivery of solid waste collection services and that the Administration continue implementation of internal improvements and cost reductions for solid waste collection.

DISCUSSION:

Plan Winnipeg…2020 Vision *provides the policy basis for comparing city services with other service providers.*

> *"2B-05 Meet High Standards of Service Delivery*
>
> *The City shall meet high standards of service delivery by:*
>
> *i) evaluating the needs of citizens in the delivery of services and monitoring performance against those needs including comparisons with other municipalities and the private sector;*
> *ii) striving to continuously improve service delivery processes; and*
> *iii) making services and service delivery processes transparent to citizens."*

Cost Allocation

A complete review of all the costs related to solid waste collection and disposal was completed in 2003, using activity based costing techniques. The actual costs incurred for collection in 2002 (labour, equipment, financing, disposal fees and overheads) were allocated against the various services as shown in the table below.

Solid Waste Collection Costs - 2002				
Collection Service	*Unit*	*City Forces Manual*	*City Forces AutoBin*	*Contractor Manual*
Single Family Residential	*Per dwelling*	*$92*	*$96*	*$54*
	Per tonne	*$95*	*$89*	*$57*
Multifamily Residential	*Per dwelling*	*$68*	*$34*	*$31*
	Per tonne	*$143*	*$67*	*$64*
Small Commercial	*Per location*	*$1,738*	*$578*	*$467*
Bulky Waste	*Per collection*	*$6*	*$15*	*$9*
Litter Bin	*Per bin per year*	*$118*	*n.a.*	*$56*

The above table includes disposal fees at the landfill that are $22.50 per tonne. The total costs from which these were derived are shown in Appendix B. The detailed spreadsheet is available and has been shared with CUPE through the labour management committee.

For manual collection, excluding disposal fees, it cost $4.48 million for City forces to collect 62,058 tonnes from 63,733 dwellings while it cost $2.85 million for contractors to collect 80,582 tonnes from 85,331 dwellings. The cost per dwelling (excluding disposal fees) for City forces is more than double the cost for contracted services. A calculation has been made of the annual difference in cost if manual collection was contracted out factoring in the additional costs of contract administration. Based on 2002 contract prices, the cost savings could be approximately $2.4 million annually for manual collection.

For AutoBin collection, excluding disposal fees, it cost $2.20 million for City forces to collect 33,085 tonnes from 30,476 dwelling units. AutoBin forces have already been working on implementing some internal improvements that will result in reduced costs. In 2003 there was a 16% increase in productivity and more changes will be implemented in 2004. These improvements will be noted in the business plan. Not including these recent improvements, it is estimated that a contracted operation would cost approximately $0.6 million less than City forces providing the same service.

The total estimated cost savings for manual and AutoBin collection, without accounting for internal improvements that could be made or redeployment of staff is $3.0 million per year. The purpose of preparing a business plan is to document the savings that could come from internal improvements or the redeployment and other costs associated with exiting the business.

The reasons why the City forces are not competitive are as follows:

1. *Salaries costs (wages and benefits) are higher for City forces. This could account for up to $1.0 million assuming wage and benefit costs are 50% higher in the public sector.*

2. *Productivity is lower in the public sector. Typically, public sector employees work years longer in the job. They are older (the average age of City refuse workers is 40-45 years). On average, these older employees are not as productive as the younger employees typically hired by the contractor. The contractors will often utilize casual labour.*

3. *Workers compensation costs are likely higher in the public sector, again related to the number of years employees can sustain the hard work without injury.*

4. *On average each refuse employee used 11.3 days of paid sick leave in 2001 (10.5 days in 2000.) While we don't know the corresponding figure for the private sector, we suspect it would be significantly less. The best practice recommendations of the consultant were that an average of 3 days per year could be achieved.*

5. *Equipment utilization is less. City employees work up to eight hours a day, whereas the contractor employees work longer shifts. The best practice recommendations of the consultant were to move to 10-hour shifts so that equipment was used 50 hours per week.*

6. *The productivity of private sector is higher. In 2002, a City crew fills the truck only to 74% as full as the private sector. This means 35% more trips to the landfill and significantly less time on the route picking up garbage.*

7. *It should be noted that while on average, City crews are not as productive, there are some City crews that regularly meet productivity expectations and have low absenteeism.*

The customer service performance indicators for City forces manual collection and contracted collection were tracked in 2001. The number of service deficiencies for City forces was 5.17 and contracted collection was 5.92 per 10,000 collections.

Requirement for a business plan

The collective agreement requires a business plan be prepared whenever a change in staffing levels is contemplated.

> *"In all instances of changes regarding alternate sources of service delivery which affect the workloads assigned to CUPE rated staff the following process shall apply:*
>
> > *1) The City shall provide a minimum of 90 days' notice to the Union of its intention to arrange for the outside delivery of services currently provided by CUPE rated staff. Said notice, including a copy of the related business plan, shall also be supplied to all members of the Joint Council - CUPE Committee.*

2) Concurrent with the above noted provision, the Joint Council-CUPE Committee shall meet within 30 days, to discuss the business plan and concerns, if any, regarding impact on CUPE employees.

3) Within 45 days of the initial notification, the Joint Council-CUPE Committee shall report to the Executive Policy Committee regarding the discussions that have taken place."[1]

The City and CUPE have generally agreed on a format for the business plan. The business plan format includes a detailed financial and budget analysis of the status quo, internal improvements that can be made, as well as alternative service delivery, in this case contracting out.

The collective agreement also provides for employment security for permanent employees.

"4-2 During the life of this Agreement, no permanent employee shall be laid off provided they accept any reasonable offer of alternative employment made by the City. This provision shall expire on December 30, 2005 (the end of Pay Period #26, 2005)."[2]

The collective agreement includes a letter of understanding on redeployment of staff. To assist in redeployment, the appropriate City – CUPE Placement Committee will consider such issues as retraining, probationary period, salary protection, leg up protection, allowing displaced employees to meet qualifications within a reasonable period of time, or any other matters deemed appropriate for the success of the particular placement.

There are approximately 40 permanent employees and from 9 to 30 seasonal employees currently in manual collection and 11 permanent employees in AutoBin collection.

The Department is recommending approval to proceed with the preparation of a business plan that considers the following alternatives:

1. Productivity improvements for City staff currently providing the service; or
2. Contract out the manual collection and/or AutoBin collection work currently done by City forces.

The operating cost difference between City forces collection and contracting out this service is estimated to be $3.0 million per year. There are other factors to consider, such as the disposition of assets (the existing fleet has a depreciated value of $2.7 million) and collective agreement commitments. The business plan would include a financial analysis over a timeframe for implementation of productivity improvements and/or contracting out would also be included.

The business plan will also assess the competitiveness of the private sector and the risks associated with increased contracting of services.

[1] Collective Agreement December 29, 2002 to December 30, 2005, Letter of Understanding Re: Changes in Staffing Levels.
[2] Collective Agreement December 29, 2002 to December 30, 2005, Article 4-2

The provision of service related to the provision, maintenance and servicing of litter containers will also be reviewed in the business plan. There are approximately 1,200 litter containers in the City of Winnipeg and the provision of the service is a joint responsibility of the Public Works and Water and Waste Departments. Take Pride Winnipeg is also involved. The business plan will review service delivery options related to this service.

CUPE will be invited to be a participant in the process and will have access to all financial and operational assumptions and calculations.

The business plan would be developed and a report submitted to the appropriate committee by the end of 2004. Staff resources within the Water and Waste Department will prepare the business plan with some assistance from an outside management consultant, at an estimated cost of $50,000, which is within existing budgets.

Internal Improvements

A review of the progress made in reducing the cost of solid waste collection services since the 1999 Alternative Delivery Study is included as Appendix A.

A workplace improvement team had previously reviewed the costs of manual collection and looked at opportunities for improvement. In March of 2001, the team recommended a staffing complement that would not reduce the cost of manual collection. Currently, there is no organized work being done by the staff themselves to improve productivity and reduce costs. The business plan will include a best practices scenario and comments on the potential success of implementation. For AutoBin collection, some improvements have been made and others are being discussed with the AutoBin collection staff.

Management and CUPE have discussed ideas that could increase competitiveness. While at this point there is no agreement, the following items are on the table for consideration.

Operate equipment 50 hours per week versus 40 hours per week now (or less).
Staff work 4 – 10 hour days.
Move to driver-driver where two staff share driving and pitching duties during a day versus 3 staff per truck now.
Set productivity standard of the lesser of 27 tonnes or 1,300 homes per crew per shift.
Adjust staff levels daily to match garbage quantities.
Incorporate new micro-routing techniques.
Institute GPS based automatic vehicle location equipment to monitor progress.
Ongoing fitness testing to retain employment status
Limit vacation during summer busy season
Institute training and wellness programs to reduce injuries and sick time.
New hires to have Grade 12 for future redeployment to other areas of city workforce
Redeploy staff that cannot meet job requirements.

Costing of these suggestions and others as necessary to be competitive would be incorporated into the business plan.

Communications

As can be expected, any discussions on contracting out will result in the private and public sectors providing their opinions on the relative merits of this issue. It is important to be clear about the Alternative Service Delivery Process that Council has adopted to examine these issues. The following are the key messages associated with approval of the recommendations:

- *This is not a decision to contract out solid waste services provided by the City of Winnipeg. A decision to determine how this service will be delivered cannot be made until a detailed business plan is prepared and subsequent discussions with CUPE on the plan and the impact on employees have been completed.*

- *Both Management and the Union see the current situation as unacceptable and are committed to reducing the cost of solid waste collection.*

- *The business plan process will provide a fair and detailed comparison of the costs and intangibles associated with any course of action.*

- *A requirement of the business plan process is to take account of internal productivity improvements that may be undertaken by CUPE staff and management. CUPE has indicated that they will contribute ideas and flexibility to this process.*

- *The collective agreement provides employment security to permanent employees. The collective agreement includes a redeployment process that would be used.*

- *The schedule is to have the plan ready for discussion three months after approval to proceed.*

Financial Impact Statement:

Project Name: Provision of Solid Waste Collection Services

Date: February 10, 2004 First Year of Program **2004**

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 50,000				
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 50,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	50,000				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs are for hiring consultants to assist in development of a business plan and is within the existing budget.

Moira Geer, CA

In preparing the report, there was consultation with and concurrence by:

No other departments were involved in preparing this report.

This Report Submitted By:

Water and Waste Department
Solid Waste Services Division
Prepared by: J. Dan McInnis, P. Eng.
File No. 011-15-10-03-00

Appendix A – Progress Since 1999 Alternative Service Delivery Study.

The recommendations of the Alternate Service Delivery Committee in July of 1999 were based on a feasibility study completed by the Water and Waste Department. The study reviewed the cost of delivering the various waste collection services in the City and outlined alternate service delivery options. The study, based on actual 1997 costs, recognized a saving of up to $2.2 million per year by moving to 100% contracted service delivery. The recommendation for the City forces to remain the business was based on:

1. *A concern that competition in the private sector was limited and that contracted costs for solid waste collection would rise substantially.*

2. *A plan for the implementation of internal improvements that would reduce the cost of City supplied collection services by $1.5 million per year.*

The report indicated that public and private costs would be tracked annually and a report provided to the Standing Policy Committee on Public Works.

Private Sector Competition

In the period since 1999, the competition in the private sector for waste collection services has actually intensified. The acquisition of BFI by Waste Management Inc. (Canadian Waste) has not resulted in the anticipated reduction in the number of waste haulers in the City. As well, a newly formed company has entered the marketplace and has gained a significant market share of the commercial waste collection business. In 1999 the sole provider of contracted collection services to the City of Winnipeg was Canadian Waste Services. In 2003, there will be four independent companies providing these services and, based on the contracts for apartment collection services, the contracted costs have decreased as a result of this increased competition.

Best Practices

The alternate service delivery report concluded that the cost of City supplied collection services (manual and AutoBin) could be reduced by implementing industry best practices. These best practices included:

1. *Consolidating manual City collection areas in the southerly portion of the City and re-locate all collection staff to one workplace.*

2. *Acquire larger capacity manual and AutoBin collection vehicles.*

3. *Implement a driver-driver concept for manual collection whereby each crew of two people (versus the current crew of three people) does 2.5 loads per day in 10 hours.*

4. *Implement a 3 load - 10-hour work day for AutoBin collection.*

Some of the recommended best practices have been implemented.

1. *The Department has moved forward with consolidating the City manual collection areas in the southerly portion of the City and has relocated all staff to one workplace. This has saved accommodation costs.*

2. *Larger capacity vehicles have been acquired for manual and AutoBin collection.*

3. *The driver-driver concept for manual collection has been more difficult to implement. A workplace improvement team has reviewed the costs of manual collection and looked at opportunities for improvement. In March of 2001, the team recommended a staffing and equipment complement. This recommendation was implemented and while it did result in a reduction in collection cost (not including tipping fees) from $72 to $71 per house per year, the new work practises do not effectively utilize the manpower or equipment resources available. The cost of contracted collection service is $33 per house per year.*

4. *For AutoBin collection, management and staff have been working on proposal involving operating a less number of trucks for a longer period of time each week; a waste swap with BFI and utilizing better routing practises. This could reduce the cost of operating the trucks and reduce overtime.*

Appendix B - Summary of Major Collection Costs (2002)			
	Manual Collection City	AutoBin Collection	Manual Collection Contractor
Annual Cost (2002)	$ 5,871,377.79	$ 2,937,292.02	$ 4,631,378.45
# of Dwellings	63,733	30,476	85,331
# of Tonnes Collected	62,058	33,085	80,582
Cost per Dwelling	$ 92.12	$ 96.38	$ 54.28
Cost per Tonne	$ 94.61	$ 88.78	$ 57.47

Total Program Cost	$ 5,871,377.79	$ 2,937,292.02	$ 4,631,378.45
Less Tipping Fees	$ 1,392,838.26	$ 739,699.62	$ 1,774,084.52
Equals Collection Cost	$ 4,478,539.53	$ 2,197,592.40	$ 2,857,293.93
Collection Cost/ tonne	$ 72.17	$ 66.42	$ 35.46
Collection Cost/dwelling	$ 70.27	$ 72.11	$ 33.48
Tipping fee/tonne	$ 22.44	$ 22.36	$ 22.02