

**Submission from Canadian Union of Public Employees
Local 402-01**

To the Mayor and Council of the City of White Rock

**On the possibility of contracting out garbage
collection and Recycling**

January 26, 2015

Introduction

As Mayor and Council will know, CUPE Local 402-01 represents approximately 100 employees who do a wide variety of work for the Council serving the citizens of White Rock.

White Rock is a unique community and as a small community located within a larger population it is highly valued by its citizens. As a smaller community we face different challenges than the large cities of Surrey and Vancouver.

As your employees, we have a long standing relationship, which goes back to 1958 when your employees received their first union charter. That was prior to the creation of the Canadian Union of Public Employees. In the nearly 60 year relationship with your unionized employees there has been one work stoppage as part of a labour dispute.

Along with you, your employees share a commitment to serving the people of White Rock.

The Issue: Possible contracting out of garbage and recycling

The City of White Rock is considering issuing a Request for Proposal looking at the possibility of contracting out garbage collection and recycling which is presently carried out by your own employees.

This is based on a report from Dillon Consulting. The final draft of this report was submitted in December 2014.

The report states:

“The following best practice research considered the following alternative approaches:

- Moving from public waste collection to private waste collection.” (Page 78)

It is important to note that while the Dillon report submits arguments both for and against contracting out these services they provide no evidence at all that contracting out is a “best practice.”

If contracting out was a “best practice” you would expect to see a continually growing number of local governments using the practice for a growing number of services. Evidence does not support this.

While there is no broadly based survey information on the use of contracting out in Canada, such surveys have been conducted in the United States by the International City County Management Association (ICMA) in 2007 and 2012. Professor Mildred Warner of Cornell University examined the two surveys to determine directions in contracting out between the two survey periods. She found:

“For the period 2007 to 2012, new outsourcing accounted for 11.1% of all services and new insourcing accounted for 10.4% of all services in the paired sample. This is almost even between new contracting and reversals.”¹

Warner found that in the United States stable public delivery of services was much more common than stable contracting out.

The ICMA reported further on this in 2013 saying:

“In these days of decreasing local government budgets and staff, privatization of services is looking more and more appealing. However, before you start privatizing all your local government services, think about this: in 2012 18 per cent of local governments brought previously privatized services back in house.”²

It would also have been useful for the report to examine some recent negative experiences with contracting out. The City of Toronto recently contracted out a significant portion of its garbage collection to Green for Life Environmental (GFL). Last year GFL was deemed ineligible to renew its contract in Etobicoke because of a drop in its safety rating.³

¹ Warner, Mildred E., *Insourcing versus outsourcing in the United States or Reverse Privatization in the Heartland of Capitalism*, April, 2014, http://www.municipalservicesproject.org/userfiles/Warner_InsourcingandOutsourcing.pdf downloaded 20 January 2015

² *Is privatization the Answer?* the International City County Management Association, October 25, 2013, http://icma.org/en/icma/knowledge_network/blogs/blogpost/1818/Is_Privatization_the_Answer Downloaded 20 January 2015

³ Hui, Ann, *Private waste-collection firm loses Etobicoke contract*, Toronto Globe and Mail, 11 June 2014.

In 2009 Port Moody brought its garbage collection back in house because of the large numbers of complaints from citizens about the quality of the service.⁴

Other communities have also brought garbage collection services back in house over issues of cost and quality of service. The suggestion that outsourcing garbage and recycling is a “best practice” is an unsupported assertion.

If you contract out, you will still be paying for everything

In any consideration of contracting out delivery of a service, people need to look at not just the price of the contract but also the costs that they will have to retain. Some of these are costs that will be paid directly by the City and some are costs that will be paid but hidden in the contract.

1. Negotiating the contract

As the Dillon report points out, contracting out “will require an increase in administration efforts to negotiate a contract with a private collector and placing staff in new areas/positions.” (Page 81)

All this will come with a cost. In particular, negotiations for a contract will be costly, complex and risky considering that any private garbage hauler will probably have a legal department larger than the size of the entire staff of White Rock.

2. Dealing with complaints

The Dillon report contains a great deal of information on the effort currently involved in dealing with complaints. The report says:

“One of the recurring challenges with the current solid waste system is the amount of time staff spend on handling customer complaints. The majority of complaints relate to the customer having received a noncompliance notice. The most common reasons for the non-compliances include: garbage containers exceed the 60 lb weight limit, garbage is set out in tied bags instead of containers (results in maggots and spilled liquids), recyclables are not properly sorted into the three streams and green waste containers exceed the weight and number of bags limits. On average, 37 hours of staff time is spent on handling waste

⁴ Mackenzie, Angela, Port Moody dumps garbage contractor over complaints, Coquitlam Now, 27 June 2009

management complaints each week. This equates to roughly \$91,000 per year in salary time (including benefits) related to handling complaints.” (Page iv)

The following is a chart from the report showing where the work dealing with complaints occurs.

Role	Number of Hours Per Week
Administrative Assistant	10
Receptionist	10
Collection Operators	5
Foreman	5
Manager of Municipal Operations	5
Director of Engineering and Municipal Operations	2

While some of these costs could be included in a contract the reality is that citizens will continue to call the city to deal with their complaints and the record of some private firms suggests complaints will increase. Citizens will expect the City to respond.

3. WorkSafe BC claims

The City currently carries significant expenses related to injuries on the job of waste management. The City will continue to carry these costs if the work is contracted out. Depending on the technology used, this is a work process prone to injury. This will continue even if the work is contracted out and as such the contractor will carry these costs. However, the contractor will not “eat” the costs; they will be charged back to the City as part of the contract price.

4. Bylaw enforcement

There are serious questions about who will enforce bylaws if this work is contracted out. As the Dillon report notes, “Currently, the City’s waste collectors will issue a violation tag if the waste set out is not compliant with Bylaw No. 1515 (e.g., weight of container exceeds the maximum allowable limit, too many garbage containers set out, etc.) and leave the waste at the curbside.” (Page 70).

Will the private operator become bylaw enforcement operators for the City? There will be little incentive for them to do so as this will increase their collection time and costs. It is likely that this will continue to be another cost carried by the City.

5. Equipment costs

There is a cost to purchasing equipment for use for garbage collection and recycling. This cost will either be paid for directly by the City to deliver its own service or it will be paid for by the contractor and charged back to the City. The question is which is more cost effective?

The Municipal Finance Authority has an Equipment Financing Program that currently has a borrowing rate of 1.79 per cent. Extra amounts can be paid at any time and there is no penalty for early payout.⁵ The borrowing falls under the MFA's Triple A credit rating.

If a private company borrows the money for the equipment they will pay a higher rate of interest. Most companies do not have a Triple A borrowing record. The company is likely to amortize the cost of the equipment over roughly the same period as the borrowing period for a City purchased vehicle. The city will still be paying for the vehicle; they will just pay more and will not own it at the end of the day.

Despite the fact the City will already be paying for the equipment of the private operator, the Dillon report advises taking on one more cost in the event the City decides to bring the work back in house as other local governments have done. The Dillon report says:

“Should a contracted approach be selected, a reserve account consisting of revenues from the sale of the collection vehicles and reduced maintenance costs could be established. These revenues could be used to hire additional staff and/or provide an opportunity to partially finance the purchase of collection vehicles in the future should the City decide to discontinue with the contracting out of the service (ISWMP, 2012).” (Page 79)

We ask Council: would you be prepared to maintain a permanent reserve account to buy equipment? Failure to do so would leave you at the mercy of a private company.

The real question is service

Professor Warner's study found that in 2007 61.2 per cent of local governments contracting work back in did so because they found service quality was not satisfactory. In 2012 the figure was 51.4 per cent. In both years more than half of respondents said they had contracted back in because cost savings were insufficient.

⁵ <http://mfa.bc.ca/clients/equipment-financing> Downloaded 20 January 2015

As the Dillon report acknowledges:

“Disadvantages of private waste collection includes: a reduction in the level of direct contact with residents and the ability to make periodic adjustments to the collection system (e.g., during the contract period).” (Page 80)

The reality is that employees of a contractor work for the contract. The City’s employees work for the City and the people of White Rock. It makes a difference.

Many City workers involved in this work live here. City employees know many of the people they serve. They act as ambassadors for the City answering questions from residents and cleaning up messes. They report issues to the foreman such as damaged street signs. They help seniors where they can and make sure cans are properly put back. They are the eyes on the City for local government.

None of this will be in the contract for a contracted out service.

Our final comment with respect to services is that in past citizen surveys your garbage and recycling operations have had among the highest levels of satisfaction of any city services.

Conclusion

Any anticipated costs savings from contracting out are unlikely to happen. The City will pay to negotiate and then manage the contract as well as for dealing with complaints. The City will continue to pay for costs such as WorkSafe and equipment. The difference is that at the end of the day they will pay more for equipment and the contractor will own it.

There is no evidence that contracting out waste management is a “best practice.” There is evidence that in many places work is being contracted back in at least as fast as it is being contracted out. For the main part, it is contracted back in because of poor service.

The Dillon report suggests poor service can be dealt with by the contract. In many places the contract has not proven sufficient to protect citizens. Even at best, citizens can only expect the absolute minimum provided for in a complex contract. People working for a contractor will go no further than the contract.

Unfortunately, there are sometimes disagreements between an employer and their employees. But in the 60 year relationship between the City of White Rock and their unionized employees, this has happened very rarely.

In reality, we are the City's partners in delivering services to the City of White Rock. For citizens, we are the face of local government. As we deliver services, including waste management, we know the citizens and the citizens know us. These relationships serve both the people of White Rock and the people elected as our local government.

We hope the City will agree to continue and build on this relationship.

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