



Achieving Success through Public Services: Ownership, Operation, Management and Delivery in Municipal Services

Many municipal leaders are considering privatization of public services, through 'public private partnerships', and contracting out. Some are convinced that they have insufficient resources to deliver quality services. But claims that handing control to the private sector will produce quality, affordable services are misleading. Public control allows local governments the authority they need to be innovative, forward thinking, financially sustainable, enforce quality controls and to put their communities first.

The following are only a few examples from among many, of innovative and effective sustainable public services delivered in the public sector by municipalities across Canada. Read the stories of Hamilton's *contracted-in* water, Guelph's "Wet-Dry Plus" waste management service, Kamloops' public water treatment plant, a *public-public* water partnership in Southern Alberta, and more...

Hamilton's *contracted-in* water proves to be cheaper, safer, more efficient

In 1995, as an economic development venture, the Regional Municipality of Hamilton-Wentworth awarded a contract for water and wastewater treatment without tender to a local firm, Philip Utilities.

This privatization experiment turned out to be a ten-year litany of environmental and financial disasters and mismanagement.

In 1996, raw sewage spilled from the main pumping station under Philip's management into Hamilton Harbour and 115 nearby homes. Philip was found to be responsible, but the municipality ended up facing a court

case against Philip and paying an undisclosed amount for the cleanup and compensating home-owners for damages.

There had been numerous charges by the Ontario Ministry of the Environment against the contractor for not meeting effluent standards.

In the 1995 contract, all repairs over (but not under) \$10,000 were the responsibility of the municipality, giving the contractor incentive to allow the physical plant to deteriorate so that repairs became someone else's problem.

The venture was sold to Azurix, an affiliate of Enron, in 1999. When Enron went bankrupt, Azurix was acquired by American Water

Services, later acquired by RWE AG, a giant German-based utility corporation.

Early in 2004, Hamilton City Council decided to put the contract up for tender again. They hired a law firm, which promotes its skill in writing P3 contracts to protect the public's interest, to help write an RFP and contract to avoid problems that came to the public's attention during the first 10 years of privatization. Provisions for allocation of risk and liability; meeting standards for effluent (with incentives for exceeding them); and allocating responsibility for maintenance were included.

In exchange for these re-allocations of risk the City would take on volatile hydro and sludge removal costs.

Although it was the largest water contract on offer in North America at the time, not even the largest multi-national companies would meet the standards set by the City. No one accepted the City's allocation of risk and responsibility for a price the City could tolerate. One company, although it claimed publicly that it could do the job for a certain price, submitted a bid 3 times that amount to cover the increased liability, pricing itself right out of the competition.

As a result, Hamilton took responsibility for its water and wastewater systems back in-house. In just one year the municipality has proven that public service delivery is good for the community, the environment, and brings good value

for taxpayers, exceeding former private operations on all areas.

A "report-card" to Council in April 2006 states that public workers achieved a "higher level of performance at the treatment facilities while at the same time costing approximately \$1.2 million below the approved budget." The City also saved the \$195,000 in performance bonuses that would have been paid to a private operator who met the same standards.

The main sewage treatment plant has consistently met higher performance standards in its first year of public operation than the plant met in the past 15 years. There has been less overflow caused by heavy rain than in the previous 5 years. Hamilton Harbour is benefiting from the higher quality of water flowing back into it.

The residents of Hamilton have a clear example of public service that is more accountable, more efficient, of higher quality and contributes more to community goals than the same service provided privately for profit.

Guelph Garbage: "Wet-Dry Plus" remains public despite toying with privatization

Cities in Canada and in other countries have modelled their waste management strategies on the City of Guelph's successful public "wet-dry-plus" program. The program diverts 75% of residential garbage from landfills, up from 38% as a result of upgrades to the plant

completed in 2003. Public ownership and control are paying off.

The treatment system also generates revenues for the City. The municipality collects fees from neighbouring communities in exchange for processing and recycling their waste. The City has also been able to sell the product of wet recycling. A total of about 3,646 tonnes of compost is sold every year, mostly for use on the flowerbeds, agriculture and gardening. According to a statement from the City in 2001, 70% of organic material is diverted from waste.

In 2000, the Recycling Council of Ontario recognized the City for its forward-thinking initiative with its award for an Environmentally-Sustainable Municipality. In 2002, Guelph was rewarded again as one of two Canadian cities to win top honours in its category at a United Nations conference on environmental sustainability.

Guelph's residents were first asked to separate their compostable or wet materials from other garbage when the wet-dry system was first introduced in 1995. In 1998, Guelph pilot tested the services of SUBBOR, a Toronto-based blue box recycling company, whose technology would separate the dry garbage further into recyclable products, peat and gas for generating electrical power. The city rejected the idea of contracting out the work to SUBBOR and the program was kept in public hands.

In 2003, Guelph further reduced contamination in the waste stream

and increased diversion by introducing a 3-stream system. Under the previous wet-dry program, residents separated their garbage into 2 waste streams, wet items and solid items. A third stream was introduced so that garbage and recyclables are also separated at home. The 3-bag system took some getting used to, but compliance rates are high since the penalty for not following the rules is that one's garbage is left on the curb.

The facility renovation to accommodate the change cost the city \$5 million and took 5 months to complete. Its capacity has increased from 5 to 20 tonnes of "dry" waste per year. The retooled recycling and composting plant is called the "Waste Resource Innovation Centre".

In September 2005, the privatization option resurfaced despite councillors having learned from experience about the importance and value of public control. The city issued a request for proposals for a number of municipal waste collection services that were answered with two bids from private for-profit companies.

"Guelph taxpayers have invested millions of dollars to build a pioneering leading edge program that is lauded by municipalities worldwide, including Hong Kong," said Brad Kalloway, then CUPE 241 President. He was concerned that the municipality was risking the flexibility and public control that had fostered such success to date.

Luckily a majority of councillor's agreed. The city decided against privatization, in part because it would have been more expensive.

Today the future of the plant is in question again. Council recently learned that federal and provincial grants will not be available to help offset the cost of necessary roof repairs. Of the \$3.8 million investment needed, \$2.5 million was expected from a federal-provincial municipal infrastructure grant. In addition, the City hopes to invest in technology to reduce the odour of the plant that is affecting local residents.

The city has committed to keeping the 3-stream collection system in place. One option under consideration as of April 2006 was to ship organic waste out of town for processing. Whether the collection and processing remains publicly owned and operated by the City of Guelph, is likely to become a subject of debate in the community once again.

Political will and collaboration between the City of Guelph and other government will be needed if the municipality is to continue to benefit from this innovative program, admired by leaders around the world.

Awards are a-plenty for Kamloops' Public Water Treatment Plant

Construction of a new publicly owned and operated drinking water plant was completed in the City of Kamloops in 2005.

The plant which treats up to 160 million litres of drinking water each day, is publicly financed with the help of federal and provincial infrastructure funding and a \$16.7 million low-interest loan provided through the Federation of Canadian Municipalities' Green Municipal Fund. The plant is the largest in North America to use membrane filtration technology. The City has also been a partner in developing a new Centre for Safe Water Excellence at nearby Thompson University.

But public ownership and operation wasn't always the plan.

Four years earlier, "boil water" orders caused by high levels of sediment in the City's main water source, especially during spring runoff, prompted the City council to take action and upgrade the system. The council was investigating using a 'public private partnership' or P3 to develop a new plant.

This would have meant not just working with the private sector on design and construction of the facility as per standard practice, but handing the operation and maintenance over to the private sector, as well. Thus, the City would abandon its responsibility to manage

the process in the best interest of its citizens.

After hearing from numerous members of the public who were opposed to privatization and seeing the results of a poll on the proposed privatization, the City voted unanimously to keep the new filtration plant public.

When the City of Kamloops needed a new water treatment plant in the late 1990s, CUPE and community allies campaigned for the new plant to be built publicly in the face of a significant P3 lobby. The municipality wisely opted to go public.

Southern Alberta Regional Water Services: A Successful 'Public Public Partnership'

In recent years, it became clear to a handful of Southern Alberta communities that something needed to be done to ensure that residents have a safe, affordable and dependable water supply. Shortages and high sodium content in the water have been dangerously common in recent years. During droughts at least one community had to truck in water to keep their reservoirs from going dry.

In 1998, a group formed to look at solutions and in October 2000 an agreement was struck. A \$50,000 loan from Wild Rose Economic Development Corporation funded feasibility and environmental impact studies and engineering plans required to access federal-provincial funding. After seven years, the five

communities and two counties finally secured a supply of clean drinking water that is 100% publicly treated and delivered.

The Kneehill Regional Water Services Commission funded one third of the 60-mile pipeline that will provide clean water to five villages as well as the County of Kneehill and the Municipal District of Rockyview. Federal government and the Province, covered two-thirds of the cost through the Infrastructure Canada-Alberta program (ICAP).

The project, totalling \$34 million, is a public sector solution that will resolve water shortages and improve drinking water quality. The town of Drumheller will treat the water to serve the villages of Acme, Beiseker, Three Hills, Carbon and Linden, the town of Irricana and rural users in Kneehill County and in part of the Municipal District of Rockyview. These communities have saved the expense of drilling new wells. Not only is it economical and the community safer, room has been created for economic development and population growth.

The Kneehill Regional Water Line will ensure that seven municipalities and more than 6000 Albertans will no longer experience water shortages but instead have access to a secure supply of clean water. This example is proof that different sized municipalities can work together, and that public *public* partnerships between governments work.

Saskatoon Garbage: Auditors find keeping it public makes sense

An audit report on garbage collection in the city of Saskatoon was released in June 2005. The auditors compared their findings with those of 12 other cities including Halifax, Ottawa, Winnipeg, Regina, Calgary, Edmonton, and five American cities. The audit revealed that Saskatoon's public service is one of the most efficient garbage collection systems of those surveyed.

The report also concluded that there would be no economic advantage to contracting out waste services. In fact, the city has managed to increase the volume of waste collected with population growth, while keeping the cost of the service down, lower than the rate of inflation. The fact that garbage collection and disposal services are completely in-house in Saskatoon is the primary factor allowing the City to keep costs down.

Kelowna Public Water Utility: awarded for safeguarding public health

In May 2006, the City of Kelowna's municipal water strategy received a Corporate Recognition Award from the B.C. Water and Waste Association. Kelowna's water division has a source-to-tap strategy for water management that includes watershed protection, water quality and monitoring, treatment, distribution system maintenance, cross connection control and water use efficiency.

The BCWWA is a non-profit association dedicated to safeguarding public health and the environment. The award is presented annually to a community that consistently demonstrates excellence, leadership and innovation in water and waste management in B.C.

Visit cupe.ca for more information about the dangers of privatization and the benefits that come with keeping it public.

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