



Keep it Public!

Our Proposal for Curbside
Recycling in Regina

CUPE Local 21 Presentation to
City of Regina Council
October 17, 2011

INTRODUCTION

CUPE Local 21 represents about 1300 permanent and casual employees of the City of Regina. Our members provide important front-line services to the citizens of Regina in the areas of public works, parks and recreation and community services.

Our members maintain and repair sewer and water lines, collect garbage and upkeep the landfill site, we maintain and repair city streets, alleys, sidewalks and boulevards, and we keep our parks and green spaces beautiful. Local 21 members also deliver recreational programs to the citizens of Regina and maintain the hundreds of city facilities.

Our members are dedicated employees and proud of the services we provide. We value the work we do for the taxpayers of the City of Regina and want to provide the highest quality of services possible. Our members and their families are also taxpayers and users of city services. We contribute to the economic and social development of our community through our purchasing of goods and services and with our volunteer commitments to various community organizations.

We are before city council to provide you with our views on city plans for curbside recycling.

As city workers, union members and residents of Regina, we support the long overdue plan to provide curbside recycling. Earlier this year, our Local sent each city councillor a copy of a report we commissioned, [Recycle Regina](#)¹. This report outlined the range of recycling programs offered by cities across Canada. It also outlined the arrangements for providing recycling as a public service.

There is significant evidence and convincing arguments in favour of public recycling collection. We welcome the opportunity to outline why it would be imprudent for city council to contract out this new service.

The main arguments in favour of delivering this service by city employees are:

- **Public delivery is more cost-effective.** Private contractors are, on average, more costly than in-house services. There are also hidden costs related to contract negotiations such as legal fees, administration costs and an additional 20% for proper monitoring and ensuring compliance of the contract.

¹ Dybvig Urban Research, Recycle Regina: Opportunities for Developing, Enhancing and Maintaining Municipal Service, 2010.

- **Public control of the service provides more flexibility and accountability.** Managing a service in-house allows the city to be more responsive to the public and to adapt to new policy goals or public interests. It makes it easier for the city to engage the public on recycling goals and develop education programs to achieve those goals.
- **New trade deals will prevent the city from bringing the service back in-house in the future.** In July of 2012, all municipalities will fall under the procurement provisions of the New West Partnership Trade Agreement. Future city councils could face huge financial penalties or legal challenges if they wanted to bring contracted-out work back in house.
- **With an initial capital investment of \$8-9 million,** the City could provide curbside recycling in-house. Having public control over this new service will give the city the flexibility to adjust to changing needs and priorities and save money over the long term.

We will expand further on these points in the brief.

1. Public delivery of municipal services is more cost-effective

City workers are efficient

City of Regina workers collect garbage from about 60,000 households in Regina, which amounts to over 3 million house visits per year. Each household in Regina produces an average of 1 tonne per garbage per year, or about 60,000 tonnes in total.² City crews make the 3 million visits to collect our household garbage with 25 full time and casual workers and 20 garbage trucks. This is an extremely efficient and cost-effective service. City workers have the skills and knowledge to do an effective job in both solid waste and recycling collection.

Studies show the public sector is more cost-effective

Many studies and examples from across the country show that there is no private sector cost advantage. A study reported in the Canadian Public Administration journal revealed that the average net costs per tonne of compost or recycling collection in 15 communities on the Prairies was \$106.41 for publicly-delivered and \$148.34 per tonne when delivered by private companies.³

² City of Regina 2011 Operating Budget, p.105.

³ James C. McDavid and Annette E. Mueller, "A cross-Canada analysis of the efficiency of residential recycling services", *Canadian Public Administration*, volume 51, no. 4, December 2008, p.600.

The authors also found that net costs per tonne were lower in the public sector when adjusted for size of community. For communities with 75,000 or more residents, the average net cost per tonne of recycling or compost collection was \$66.52 in the public sector and \$78.27 in the private sector.⁴ The authors concluded that there was no private-sector efficiency advantage in the collection of recyclables.

A number of municipalities have had difficulties with private companies and have brought garbage and recycling back in-house. Port Moody (B.C.) brought its garbage and recycling back in-house in 2008 after dissatisfaction with the contractor. Saint John (N.B.) voted this month to take over garbage collection and save \$500,000 a year.⁵

No control over private sector prices

Once a public service is contracted-out, the municipality loses control over the costs of the service. A 2003 City of Toronto report analyzed the per tonne costs of in-house and contracted garbage collection. It found that the per tonne costs of private contracted garbage increased at a rate of 13% per year – twice that of in-house garbage collection.⁶

Greater financial risks and higher monitoring costs

There are also higher financial risks when contracting-out a service. The City of Ottawa had contracted-out part of its residential garbage collection to a company called Exel. The company failed to meet service requirements, paid low wages to its staff, had high turnover and unreliable service. Eventually Exel defaulted on its contract and the city had to pay high premiums for other private contractors to finish the work. The city ended up bringing the work back in-house.⁷

When plans were being made to extend the organics Green Bin pickup to the former City of York in 2003, the private contractor asked for almost \$7 million in extra fees – a 78% increase in the cost of the contract. When the contract ended in 2007, the City voted to bring the service back in-house and save over \$4 million per year.⁸

Municipalities also face high costs to monitor and enforce contracts with private companies. Studies of municipal contracts across North America show that proper monitoring of a private contract costs about 20% of the contract value to ensure that the

⁴ Ibid., p. 601.

⁵ "City trashes private contractors," *Telegraph-Journal*, October 12, 2011.

⁶ CUPE, *Costs and Consequences of Solid Waste Collection Delivery Alternatives in Peterborough*, January 13, 2009, p.12.

⁷ Ibid, p. 22.

⁸ Toronto Environmental Alliance, *Look Before You Leap: An Environmental Perspective on Privatizing Waste Collection in Toronto*, May 2011, p. 5.

public gets what they paid for.⁹ The administrative oversight costs are rarely considered when municipalities are comparing public to private contract costs.

Taxpayers pay for private sector profit margins

When a public service is contracted-out, taxpayers end up paying more than the real cost to deliver the service because private contractors build in a profit margin. In many cases, the contract may include long term capital investment costs as well. It makes no sense for taxpayers to pay for the profits and capital assets of a private contractor when city employees could do the job for the basic cost of delivering the service.

Once a city is locked into a contract, it may be difficult to amend the contract or find savings. When the City of Ottawa signed a 20-year contract with Orgaworld to collect 80,000 tonnes garbage per year at \$100 per tonne, the City had to pay for 80,000 tonnes even though Orgaworld only ended up collecting 53,000 tonnes in 2010.¹⁰

2. Public control provides flexibility and accountability

It is difficult for a municipal government to achieve certain policy (social or environmental) goals when it contracts out a service to the private sector. Public management and delivery of a service gives the city flexibility to make adjustments to its service as public needs or priorities change. When the service is privatized, any changes to a contract mean additional costs to renegotiate service delivery expectations.

Need for a cohesive waste diversion, waste management strategy

The City of Regina collects residential garbage and some commercial garbage with city crews. It makes sense that a curbside recycling program also be done by city workers to ensure a cohesive waste diversion plan. City workers should be part of an overall strategy to collect recyclables and keep recyclable materials from going to the landfill. The two programs should go hand in hand.

Contractors do not collect recyclables because they have social or environmental goals. Their goal is to deliver a service at a profit. The York Region in Ontario ended up sending 4,000 tonnes of recyclable material to the landfill because it had been over-compacted by the contractor and couldn't be sorted. The Materials Recycling Facility, which sorts the material, had to hire additional staff and charged the Region up to \$150 per load for manual sorting the over-compacted recyclables.¹¹

⁹ Ibid., p.7.

¹⁰ Ibid., p.5.

¹¹ Toronto Environmental Alliance, p. 5-6

The City of Regina has a waste diversion goal of 40% by 2015. This is an extremely low diversion rate compared to other cities such as Edmonton with a 90% diversion rate goal by 2012, Vancouver with a goal of 70% by 2015, and Calgary with a goal of 80% by 2020. It will be difficult for the city to reach its modest goal of 40% unless it develops a comprehensive, cohesive waste diversion strategy delivered by the city.

It is important to note, however, that only one-third of waste going to the Regina landfill comes from residential properties. Two-thirds of the 597,000 tonnes of waste disposed of at the landfill annually comes from industrial, commercial and institutional properties.¹² The volume of waste disposed at the landfill has increased by 24% since 2007, when a total of 480,000 tonnes were received.¹³

If the city wants to reduce the amount of waste going to the landfill, it will need to develop additional strategies to address the high volume of waste coming from commercial and industrial users. If the city decided to expand the collection of recyclables to commercial and industrial properties, it would have more flexibility to do so if the service was provided in-house than if it was locked into a contract.

Public delivery complements a public education program

A successful waste diversion strategy will also require a public education program to educate Regina citizens about what to recycle and what can go into the garbage. City workers can play an important role in monitoring the success of waste diversion when collecting both recyclables and garbage. If a large amount of recyclables continue to be placed in the garbage, city garbage workers can report this. This will help the city evaluate its program and adjust as necessary with public education or enforcement.

Some municipalities have implemented the mandatory use of clear garbage bags so that it is easier to monitor what is going into household garbage and prevent recyclables going to the landfill. Other municipalities have enacted bylaws to ban recyclables going to the landfill. Public education and participation is key to a successful waste diversion plan and will be more successful when the delivery of the recycling service is also done by the city.

Public delivery is more responsive and accountable to residents

When a municipality delivers a service to residents, it can respond quickly to any concerns or issues raised by residents. If residents were to ask for a change in how recyclables are collected, it would be very difficult to change the service once a private contract is in place without major costs to renegotiate the terms of the contract.

¹² City of Regina 2011 Operating Budget, p. 105.

¹³ City of Regina Public Works Division, *Environmental Impact Statement, Expansion of Fleet Street Solid Waste Disposal and Recovery Facility*, September 2009, p. 1-4

If residents want changes to a publicly-delivered service, it is easy for the city to make the needed changes. With a private contractor, where does a resident go to make a complaint? Is the city willing to renegotiate a contract and assume higher contract costs to meet changing needs of residents?

The city's ability to provide quality services is weakened when the city has no control over the service delivery. As mentioned earlier, proper monitoring and enforcement of contracts costs adds 20% to the cost of the contract.

3. The impact of trade agreements on municipal procurement

On July 1, 2012, the City of Regina, and all other municipal governments in Saskatchewan, will fall under the procurement provisions of the New West Partnership Trade Agreement (NWPTA). Municipalities in British Columbia and Alberta, the other two provinces in the trade agreement, had already been covered by the provisions of the precursor agreement, TILMA.

Saskatchewan municipalities were already covered under the Agreement on Internal Trade (AIT) but there are major differences with the NWPTA. For one, the NWPTA is much broader in scope than the AIT because it is a negative list agreement while the latter is a positive list agreement. Under a negative list agreement, all government activities are covered unless specifically excluded. In a positive list agreement like the AIT, only those activities listed are covered by the provisions of the trade agreement.

Secondly, the procurement threshold is lower in the NWPTA meaning that more purchasing will be covered by the trade rules. Any contract for services valued at \$75,000 or higher must follow the procurement rules of the NWPTA (article 14). Procurement for goods and services doesn't fall under the AIT unless the value is of \$100,000 or more. A contract for providing recycling collection, which would be more than \$75,000, would have to be tendered across the three western provinces.

No local economic development

Under the NWPTA, there would be no possibility of awarding a contract to a Regina-based company in order to support local economic development. The city would have to award the contract to the lowest bidder. Taxpayer dollars could be funneled out of the province to large corporations who underbid local companies.

Zoning bylaws could be challenged at a trade tribunal

Under the NWTPA, corporations have the ability to challenge any local government bylaw, zoning bylaws, tax abatement or tax exemption policies that they feel is a trade or investment barrier. If a large out-of-province corporation won a recycling contract and

decided to build a plant in an area of the city where zoning bylaws prevented such activities, the bylaw could be challenged before a trade tribunal. Governments could be fined up to \$5 million through a successful trade challenge.

Democratic decision-making undermined

The ability of any future city council to bring work back in-house is slim under this trade agreement. Private corporations could challenge the city at a trade tribunal for the loss of potential income. The democratic decision-making powers of elected councilors would be secondary to the rulings of an unelected trade tribunal. Economic interests will trump democratic interests and the public good.

The federal government is also in the middle of negotiating a Comprehensive Economic and Trade Agreement (CETA) with the European Union. The European Union wants access to municipal procurement. If City Council decides to contract out recycling, we could have large European corporations bidding on this work.

Our Proposal – Public Delivery of Curbside Recycling

We have outlined in our brief the many concerns and dangers with contracting-out a new curbside recycling service. We believe that the city should provide curbside recycling as a public service to ensure the highest quality service, to ensure accountability and responsiveness, to best meet goals of waste diversion, and to exclude this service from trade agreements.

City councilors may agree with some of our arguments but still have concerns about how to financially pay for the new service. We offer the following suggestions.

1. **Invest in equipment and staff to publicly provide recycling service.** We estimate that the capital investment for the recycling bins and three trucks would be \$8 million to \$9 million. This would be a long term investment for providing a valuable service to the citizens of Regina. In the long term this would be less expensive than contracting-out, as contractors will build in capital investment costs and profits into their service agreement.
2. **Apply to the FCM Green Infrastructure Fund.** The initial capital costs could be raised by applying for a low interest loan from the Federation of Canadian Municipalities (FCM) Green Infrastructure Fund.¹⁴ The Fund provides loans for green municipal projects such as waste diversion projects up to \$10 million, at an

¹⁴ See: <http://www.fcm.ca/home/programs/green-municipal-fund/what-we-fund/projects.htm>

interest rate 1.5% below the Government of Canada bond rate. The next application date is December 1, 2011, which provides enough time for the City of Regina to make an application. The City would have to increase its diversion rate goal to a minimum of 50% to qualify for FCM funding.

3. **Offset recycling costs through utility charges.** A minimal charge of \$90 per year per household would raise \$5.4 million annually. The City would also gain revenues from the sale of recyclable materials. If the City of Regina extended the recycling service to commercial and institutional properties, we could raise even more revenues.
4. **Increase waste diversion goals and reduce landfill costs.** If the city were to increase its waste diversion goal to 70% over the next five years, we could substantially reduce the costs to operate and expand the landfill. In the 2011 City of Regina budget, there are new expenditures of almost \$1 million to address increased costs to operate the landfill (extra equipment and staff, new truck/loader).¹⁵ The budget also allocates \$3.8 million for landfill capping and closure and \$7 million for new landfill development.

The costs for waste collection and the landfill have been increasing at an astronomical rate. The city's budget for solid waste collection increased by 9.1% in one year from \$7.47 million to \$8.15 million (2010 budget to 2011 budget). The budget for landfill operations increased by 93% in one year (\$2 million in the 2010 budget to \$3.9 million in the 2011 budget).¹⁶ An aggressive waste diversion/recycling program, publicly delivered by the city, will reduce waste collection and landfill costs.

5. **Contract-in the Small Vehicle transfer station at the landfill.** The trucks used for this work can also provide the Blue Bin recycling work. Our local estimated that we could save the city \$10 million by doing the work in-house.

¹⁵ City of Regina 2011 Operating Budget.

¹⁶ Ibid., p. 105.

CONCLUSION

The City of Regina is one of the last cities in Canada to provide curbside recycling to its residents. We congratulate City Council for moving in this direction.

This is a critical moment. It is important that City Council make a decision to implement the best delivery model possible. We strongly believe that the best model is a public delivery model.

When first introducing a service, it is critical that the City be flexible and be able to work out any problems as they arise. This can only happen under a public service delivery model.

We urge you not to tie the hands of future City Councils by opting for private delivery.

Thank you for your time.

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