



Economics of Waste Collection Public and Private Alternatives

Presentation for
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Toby Sanger, CUPE National
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No savings from contracting-out

No consistent evidence private waste collection costs less than public collection.

- Comprehensive studies show overall costs similar, with many showing lower public costs.

(“Privatization of solid waste and water services: what happened to the cost savings?” Bel and Warner 2007, and other studies)

- Auditor and financial reports for Ontario cities show substantial savings from in-house public waste collection.

Private sector costs increase faster

- Private costs may be less at first, but increase faster.
- Equipment and workforce ages
- Little competition in private waste collection.
- Facing rising costs and poor service, more cities contracting back-in: (Ottawa, Toronto, Port Moody, cities in the U.S.)

Major costs and risks with contracting-out

- Loss of equipment, capacity and skills
- Vulnerable to failures of private companies
- No flexibility to deal with emergencies
- Locked into a long-term contract: much less flexibility to deal with changing priorities

Problems with “managed competition”

Public sector costs often *exaggerated*, private sector costs often *underestimated*.

- Public “city bids” include “ghost charges”: insurance, letters of credit overhead, excess finance & admin costs
- Private costs underestimated & don’t include higher costs of monitoring, administration, compliance, risk

Other benefits and costs often ignored

- Reduced risk, maintain capacity
- Flexibility to deal with changing circumstances & priorities
- Environmental: waste reduction, diversion
- Social: need stable jobs with decent wages and benefits to build good communities

There's a better way

- Major benefits to public when city admin works collaboratively with staff and union.

Toronto: savings of \$4 million from contracting in waste collection in York area.

Ottawa: auditor has confirmed savings of \$6 million over past 9 years from in-house waste collection; is now contracting-in work in other areas.

Peterborough:

- city admin was moving to contracting-out
- worked engaged with union, analyzed costs in detail
- achieved efficiencies; just signed 3 year agreement with improvements to wages and benefits
- City admin now very positive about good relationship