

**CUPE LOCAL 500
Presentation to Winnipeg City Council
November 19, 2008**

RE: CITY OF WINNIPEG MUNICIPAL CORPORATE UTILITY

Thank you for the opportunity to address you today on this very important initiative.

We in CUPE Local 500 consider that the proposals before you today are essentially to privatize water and waste services for the residents of Winnipeg. While the proposal is being presented as a way of reducing costs and minimizing operational risks for the public, we see a plan of reducing government responsibility for services, shifting costs directly to consumers and increasing the role of business in Winnipeg's service infrastructure.

Creating a Municipal Corporate Utility would be a major change in how water and waste utilities are governed and delivered to Winnipeggers. While there may be merits to public corporations providing services, the City of Winnipeg proposal is not for such a body, as it is designed to be run on business principles with a heavy reliance on private sector agencies.

As we have documented in our background report that you have received, and will highlight now, the privatization of water and waste systems has been tried for other cities, and all too often these have failed. Our alternative to privatization, is to build on what now exists and improve services through collaboration with the public, local experts and city staff. We are confident that the City, through the Water and Waste Department, has the capacity to deliver quality services, and we are willing to work with City officials and politicians to develop these services for residents.

Why we are so concerned about privatization of the water and waste services.

For over a decade we have campaigned for public control of services and against privatization. We are convinced that privatization does not save money and will not improve the quality of services for the public. The inclusion of private agencies to design, finance, build and operate the components of any utility will undermine our ability as citizens to assure we get good value for our tax dollars.

Our opposition to privatization is built on years of experience. We have seen numerous examples of failed P3 water and sewage ventures – in Canada, the United States and internationally. There are lessons and therefore warnings that we take from this experience.

- Privatization Leads to **Rate Increases** as companies raise rates to maximize profits.
- Privatization **Undermines Water Quality**, as companies have to cut costs to maintain profits. We are not accusing companies of being evil – it is just that they have to make money to survive and cutting costs is one of the few options they have.
- Companies Are **Accountable to Shareholders**, Not Consumers, and if there is a conflict between the benefits to shareholders versus citizens, the shareholders will always win out.

- **Privatization Fosters Corruption**, as the checks and balances that could prevent corruption, are weak at best. Contracts are worked out behind closed doors with the details often still kept secret after the contract is signed, even though it is the public that will be directly affected by the conditions of the contract.
- Privatization **Reduces Local Control** and Public Rights. When water services are privatized, very little can be done to ensure that the company will work in the best interest of the community. Furthermore, if a community is dissatisfied with the performance of the company, buying back the service or infrastructure is very difficult and costly.
- Private **Financing Costs More than Government Financing**. There is a false perception that P3s shift the financial burden from the public to the private sector. In reality, taxpayers simply pay for these projects through long term leases, additional monitoring costs and increased user fees.
- Privatization Leads to **Job Losses**. Layoffs of workers often follow in the wake of privatization, as companies try to minimize costs and increase profits. Considering the current economic climate and proposals by Prime Minister Stephen Harper and President Elect Barak Obama to stabilize the North American economy through job creation, this is a particularly serious criticism.

There is one more point to raise, in defense of publicly controlled utilities or services. Opening the door to any form of privatization, also means **opening the door to foreign company** competition and possible Chapter 11 NAFTA challenges if there seems to be any preferential treatment of companies or

application of local policies and By-Laws.

And if you think this is not a possibility, talk to Edmonton City Councilors who recently had to deal with a proposal to expand EPCOR resources.

There is a better alternative than giving away our assets to private companies.

The Water & Waste Department is a very efficient provider of services for the City. The engineering and operating **staff are expert** in their particular fields. The staff have undergone extensive training and have attained the levels of certification required by Provincial Legislation. The Department attracts and employs some of the most highly qualified employees in the country.

A Private Sector Partner would not be as motivated to enhance staff qualifications. Staff quality and numbers could diminish if a company has to maintain profit within rate structures that are acceptable to the public.

The Water & Waste Department is better **equipped to keep ahead of regulatory requirements** and service level expectations that protect public health and stewardship of the environment. Public Sector water and wastewater facilities are measured at the highest levels of scrutiny because they work directly for the public. Systems that are at "arms length" are one step removed from that accountability and therefore less able to assure regulatory compliance.

Cost overruns and delays in completing capital projects are a case in point, where Department staff are being blamed for deficiencies they have no control over. Current cost increases in construction materials and energy costs are largely at play in this situation, and a private sector partner would experience the same implementation barriers that face any government client.

The construction backlash we are facing in the province is something that is being experienced by all players in the economy. To say that a Private Sector Partner could have attracted more competitive bids is simply speculation – it is not fact. There is no evidence that indicates that a long term P3 deal will reduce the City's exposure to risk.

The operations of the Department are completely open and transparent to the public. The likelihood of a Private Sector Partner being as transparent is highly unlikely. Look at the Charleswood Bridge as an example of how difficult it is to get contract information from the Private Sector Partner and the City. This P3 project is also an excellent example of how much more P3s cost taxpayers – the bridge will cost Winnipeggers \$11 million more than if it had been built with municipal financing.

The Water & Waste Department, with other Departments of the City currently take advantage of grants available at various levels of government. Private Sector Partners are required for only one federal infrastructure funding program. And in any case, any private sector application for grants would require backing by the City to assure security and the capacity to deliver results.

The Department currently works with Capital Region partners in addressing common or related issues. When instructed by Council, City staff are also better equipped to enter utility service agreements with these partners because of their history of collaboration and common interest. Having this history improves cooperation and lessens the risk placed on the ratepayers of the City in any long term agreements.

In general then, employees in the Water & Waste Department are delivering a far more enhanced service to the ratepayers of the City than any Private Sector Partner could deliver. Given the magnitude of the capital projects they are dealing with, the administration should receive total support and commitment from City Council. If Council holds true to its word and does not continue to purge the assets of this revenue generating Department, city employees can continue to provide a quality public service.

In conclusion, CUPE members have a long history of working with the City to develop its services. We are prepared to continue offering our support, advice and assistance in implementing improvements to any and all city services. Note for example how city and union officials collaborated on establishing the 311 call centre service. The result is a well-designed customer contact service that is being implemented in a smooth and efficient manner.

The City of Winnipeg has the track record, commitment and means to provide secure, affordable, water and waste services. The private sector does not! Thank you.

Presentation submitted by:

CUPE Local 500

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