CANADIAN UNION OF PUBLIC EMPLOYEES
LOCAL 500

Background Paper

CUPE Research

RE: MUNICIPAL CORPORATE UTILITY PROPOSAL – CITY OF WINNIPEG

SUBMITTED TO:

WINNIPEG CITY COUNCIL

November 19, 2008

positively Public the Winnipeg Way!

CUPE Local 500

The proposal submitted by the Corporate Finance Department for the City of Winnipeg, and forwarded to City Council by the Executive Policy Committee (EPC), to investigate the possible establishment of a City owned Municipal Corporate Utility, raises serious concerns for anyone interested in providing Winnipeggers with quality public services.

We in CUPE Local 500 consider this proposal as essentially an effort to privatize water and waste services for the residents of Winnipeg, which could mean higher costs and less service for the public. While the proposal is being presented as a way of reducing costs and minimizing operational risks for the public, we see a plan to reduce government responsibility for services, shift costs directly to consumers and increase the role of business in Winnipeg's infrastructure and service matrix.

Creating a City owned 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 Municipal Corporate Utility proposal is not for such a body, as it is designed to be run on 'business like' principles with a heavy reliance on private sector agencies.

We have major concerns with the Municipal Corporate Utility proposal. The main element that we believe is wrong for Winnipeg is the proposed devolution of public delivery of services and development of new facilities to the private sector. The EPC recommends a governance structure and delivery method that has been discredited in practice across the world. As we will show in this report, the privatization of water and waste systems has been tried in other cities, and all too often these have failed.

Our alternative to privatization is to recommend building on what now exists and improving services through collaboration with the public, local experts and city staff (including their respective unions). We are confident that the City, through the Water and Waste Department, has the capacity to deliver quality services. We are willing and able to work with City officials and politicians to develop these services for residents and neighbouring municipalities.

Privatization of Water is Dangerous

This report is a formal response to the recommendations made by the Corporate Finance Department to Executive Policy Committee (EPC) on November 12th, based on the Proof of Concept Report, "A new Model for the City of Winnipeg's Utility Services" by Deloitte & Touche LLP (D&T).

We in CUPE Local 500 believe that this proposal is essentially an effort 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 to reduce government responsibility for services, shift costs directly to consumers and increase the role of business in Winnipeg's infrastructure and service matrix. Ultimately, privatization could mean higher costs and less service for the public.

While there may be merits to public or 'crown corporations' for providing services, the City of Winnipeg Municipal Corporate Utility (MCU) proposal is not for such a body. It is designed to be run on 'business like' principles, with a heavy reliance on private sector agencies, called 'strategic partners'. There is no evidence that a MCU would be protected from privatization and there is an evident desire on the part of the Mayor and some Councilors to privatize where ever possible. Without the inclusion of the private sector or the potential for public-private partnerships (P3s), we would be debating the merits of publicly owned corporations and very likely we would be agreeing on the merits of independent public bodies (like Manitoba Hydro) to deliver public services.

The main element that we believe is wrong for Winnipeg is the proposed devolution service delivery and development of new facilities to the private sector. The EPC recommends a governance structure and delivery method that has been discredited in practice across the world. As we will show in this report, the privatization of water and waste systems has been tried, and all too often has failed. The inclusion of a private agency to actually design, finance, build and operate the components of the Utility (as a P3) is presented without sound analysis or any serious representation of the limitations of this approach.

On the bases of this rationale, City officials claim that "Increasingly stringent wastewater effluent standards and more vigilant enforcement in the future will be met or exceeded through a rigorous system of monitoring and accountability provision of management contracts." (Page 6 of the recommendations) The logic that a private company will be more diligent and committed to environmental protection, than a publicly mandated body is just a small example of how flawed the underlying assumptions of this report are and how City officials are willing to go along with these assumptions!

The reality is that there a numerous examples of failed P3 water and sewage ventures. One only has to look at the recent experiences of Halifax, Hamilton, Victoria and more recently Edmonton (which owns EPCOR) to see the weaknesses in the P3 approach, and how municipal governments have had to take on costly professional and legal support in dealing with the failings of private companies. (Note for example, "The Privatization of Water and Wastewater Utilities: An International Survey", by Alexander Orin, Environment Probe, August 1999)

Here are a few examples of government experience with privatized water and waste systems;

Williams Lake, BC

In late 2007, Williams Lake's mayor and council proposed a public-private partnership deal with Edmonton based EPCOR. The deal would have seen the private corporation take over operation and maintenance of the community's drinking water system for a 20 year period.

In response, Williams Lake citizens rallied to the defense of public water. Water workers in Williams Lake, represented by the International Union of Operating Engineers, contacted CUPE BC to seek help, and CUPE was happy to try to assist.

Large community meetings, numerous letters to the editor and much debate soon followed. Faced with citizens who were clearly concerned, Williams Lake mayor and council backed away from the EPCOR P3 and put together a special water advisory committee instead.

On July 23, 2008 the City announced that its water advisory committee had reported and it was a thumbs-down to the EPCOR P3.

That committee heard from the Council of Canadians and others that water privatization was a big problem. As part of its report, the committee recommended that the water system be operated and maintained publicly. City council endorsed those recommendations and an implementation strategy.

Hamilton, Ontario

In 2004, a decade-long fight against water privatization ended in a major victory for the citizens of Hamilton. In September of that year, the city council voted to take back the operation and maintenance of the city's water and wastewater treatment plants, ending an era of secrecy, spilled sewage, malfunctioning equipment and a revolving door of corporate contractors.

In 1994, the Regional Municipality of Hamilton-Wentworth signed a 10-year, $180 million contract with a one-year-old company, Philip Utilities Management Corporation (PUMC). The contract transferred responsibility for the operation, management and maintenance of the Region's water and sewage system to PUMC. The contract covered operation of the main water-treatment plant, three communal well systems, three sewage-treatment plants, six sewage-storage tanks and a number of reservoirs and pumping stations.

When it was signed, the deal was the largest private-public partnership (P3) agreement of this type in North America. The Canadian Union of Public Employees commissioned an economic analysis of the privatization deal, which revealed many problems.

Under the original contract, all potential risk in providing services, and all capital expenditures and major maintenance were incurred by the city. That risk included the city assuming the substantial cost of cleaning up a major raw sewage spill affecting residential properties and polluting the harbour. Access to information, accountability and transparency were also key concerns (one City Councilor had to file a Freedom of Information request for financial information about the contract. Final costs for the sewage cleanup have never been made public).

The contract changed hands four times in ten years after PUMC faced bankruptcy in 1999. It was sold to Texas-based Azurix North America, a subsidiary of Enron. Two years later, American Water Services bought Azurix. American Water was then bought by German multinational RWE/Thames. With the contract due to expire on December 31, 2004, the city council and staff began to consider renewal at the start of that year.

A community coalition, Hamilton Water Watch, was formed to oppose any further privatization and pulled together a strong case for remunicipalisation at public hearings in January. Sixteen out of 17 presentations made to Hamilton city council opposed the continued privatization, but despite this opposition, Hamilton council voted to renew the contract for another decade, bolstered by a pro-privatization report from senior city staff.

The Council issued a tender, attracting applications from CH2M Hill-OMI**,** American Water and Veolia**.** But two of the companies were disqualified, leaving American Water as the sole bidder.

A new contract was drafted, leading American Water to make a higher bid. But this was rejected by the council and following negotiations, American Water reduced its bid by two thirds to $13 million, also reducing its liability for risk. Hamilton Water Watch and concerned members of the public scrutinized the new deal and raised concerns. In the end the lower bid was also disqualified. American Water tried to block a council decision to bring services back in house, but their application for a court injunction failed.

In September 2004, the city council voted to accept a staff recommendation that the tender be canceled, and that water operations be brought back in-house.

Atlanta, Georgia

In January 2003, the city of Atlanta and United Water, decided to terminate the largest water privatization contract in the USA. In 1998, the city of Atlanta signed a 20 year, $428 million contract with United Water, a subsidiary of the French corporate conglomerate, Suez. The industry claimed great expectations that Atlanta would serve as the model for other communities and open the door for private water companies to do business in other major US cities. Instead, the fiasco in Atlanta serves as a model for what to avoid.

United Water vastly overstated the amount of money that it could save the city and vastly underestimated the amount of work needed to maintain and operate the system. Almost immediately after signing the contract, United Water started hitting up the city for more money, and tried to add $80 million to the contract. The city refused. United Water came back with charges of $80 million for additional expenditures. Atlanta’s Water Commissioner refused to approve the payments, but in a bizarre twist, letters authorizing the payments showed up with the signature of former Mayor Bill Campbell. Campbell denied he had ever signed the documents. The city attorney ruled the authorizations invalid, and United Water eventually backed away from pressing the claim.

United Water was also improperly billing the city for work it didn’t do. The company billed an extra $37.6 million for additional service authorizations, capital repair and maintenance costs, and the city paid nearly $16 million of those costs. Pay was withheld for the rest because the work either wasn’t complete or hadn’t even been started. Routine maintenance was billed as "capital repairs" and much-needed infrastructure rehabilitation was neglected.

Desperate to cut costs, United Water more than halved the number of employees, from more than 700 to just over 300. Still the much-vaunted savings from privatization didn’t materialize, and the promise that a consumer rate hike could be averted through savings turned out to be empty. Sewer bill rates went up every year that United Water had the contract – rising, on average, about 12% annually. Chris New, the Deputy Water Commissioner in Atlanta said, "My biggest concern is a lot of people have lost confidence in the water itself. Over the past year, we’ve had so many boil water advisories and discolored water around the system."

Very soon trust in the company eroded to the point that the city spent $1 million to hire inspectors to verify United Water’s reports. City officials concluded it was time to end the relationship. Now Atlanta faces the daunting task of taking back its water system and performing the needed upgrades that were neglected during United Water’s tenure.

United Kingdom

In what was arguably the most massive privatization deal in recent history, in 1988 the Thatcher government transformed its ten regional water authorities (RWAs) into private profit-making ventures. The RWAs were sold as 25 year concessions by issuing shares on the stock market and creating private monopolies in the regions of the United Kingdom (Scotland and Northern Ireland were excluded).
These new private monopolies were granted a range of government subsidies, at the expense of taxpayers and consumers, to boost corporate profitability.

The Thatcher government wrote off all the debt of the water companies before privatization (about US$8 billion). The government granted the private companies what they called a "green dowry" of US$2.6 billion.

The government offered the companies for sale at a substantial discount – about 22% of the stock market value (measured as the difference between the issue price of the water companies’ shares and the share price after the first week of trading). The companies were given special exemption from paying taxes on their profits.

There was a public outcry as consumer water prices rose. On average, prices rose by over 50% in the first four years. The first nine years produced price increases of 46% in real terms (adjusted for inflation). The public was further outraged when information was released about director’s pay and the profits of the ten water companies. The real value of the fees, salaries and bonuses paid to the director’s increased between 50% and 200% in most of the water companies. The profits of the 10 water companies rose 147% between 1990 and 1997. Profit margins in the UK are typically three or even four times as great as the margins of water companies in France, Spain, Sweden or Hungary. This could explain why most of the UK companies were quickly purchased (after the five year "protection" period) by the big corporate water multinationals – including Suez, Vivendi and RWE.

A rise in customer water prices was followed by an increased rate of household disconnections for non-payment. The disconnection rate tripled in the first five years, with 18,636 households disconnected in 1994. Again, there was a public outcry arguing that cutting off people's water endangered public health. A 1994 study showed rates of dysentery rising in most major urban areas. When disconnections for non-payment became more controversial, the water companies started using "pre-payment meters" for customers unable to pay their bills. These meters only supplied water when customers had paid money charged on a plastic card. When the account was empty, the meter cut-off water supply. The companies called these "self-disconnections." By 1996 over 16,000 pre-payment meters had been installed. Public outrage grew until Parliament passed a new public water law called the Water Industry Act of 1999 that forbid disconnections for non-payment and the use of pre-payment meters.

There have been serious transgressions in the environmental performance of the UK companies, such as lack of basic conservation measures, sewer backflow, waterway pollution, and poor drinking water quality. In 1998, the major water companies in the UK were ranked as the second, third, and forth-worst polluters. The UK's Environmental Agency regularly prosecutes the water companies for pollution offenses. The ten water companies were prosecuted a total of 260 times between 1989 and 1997. Paying the fines was simpler than making the needed investment in rehabilitation of infrastructure and treatment plants. Since 1998, the situation has improved somewhat and the water companies have been prosecuted for a total of 22 water pollution offenses. Lack of attention to maintaining the water and sewerage system has contributed to wastage from leaks and poor drinking water quality. The Drinking Water Inspectorate (DWI) identified lack of compliance on key parameters (excessive amounts of nitrite, iron, lead, PAH and other pesticides) in more than 20% of water zones.

Capital expenditure, another key factor in assessing privatization started before privatization, peaked in 1991-92 and then began to fall in the post-privatization period. It appears to be common practice for the companies to budget large capital expenditure needs (which are then used to calculate the allowed price rises). But, rather than making the budgeted infrastructure improvements, the companies use the shortfall in expenditure to boost profits. For example, Southern Water submitted plans for a series of new sewage treatment plants that were never built. Yorkshire Water "saved" on its capital expenditure budget by getting a promise from government to re-define coastal waters as sea waters instead of estuary waters – permitting the company to dump raw sewage instead of expanding treatment plants.

An assessment in the British newspaper, **The Daily Mail**, sums it up best. *...(T)he water industry has become the biggest rip-off in Britain. Water bills, both to households and industry, have soared. And the directors and shareholders of Britain's top ten water companies have been able to use their position as monopoly suppliers to pull off the greatest act of licensed robbery in our history.* (July 11, '94)

Iraq

Bechtel was awarded a 12-month contract worth up to $1.03 billion, authorizing the company to oversee the rehabilitation, reconstruction and expansion of key elements of Iraq's infrastructure, including municipal water delivery and wastewater systems. Independent evaluation of Bechtel's work was nearly impossible, in part due to security precautions and the lack of transparency in the contract process. The information detailing Bechtel's contractual failures in Hilla, Najaf, Diwaniyah, Sadr City and smaller villages where families face crisis conditions due to the lack of access to clean water was abominable. For example, one of Bechtel's earliest priorities was to ensure the provision of potable water supplies to the population of southern Iraq in the first 60 days of the program. However, one year later, there is little evidence that this mandate has been achieved; instead, rising epidemics of cholera, kidney stones and diarrhea – all water-borne illnesses – point to the failure of Bechtel's mission.

Nelspruit, South Africa

In 1999, the British water multinational, Biwater, was awarded a 30 year water concession in Nelspruit. Ever since, the community has complained of rising prices and poor service.

The privatization of water in Nelspruit was initially proposed in 1997, but the South African Municipal Workers Union (SAMWU) challenged the bid and stalled the process for almost two years. In 1998, a compromise was reached. The South African government promised to assess the possibility of a public alternative. But, this never happened. Instead the concession was awarded to the Greater Nelspruit Utility Company (GNUC), a joint venture between Biwater and a black empowerment group, Sivukile.

The African National Congress government argued that the private concession would be able to attract much-needed sources of private finance. The ANC wanted to depend less on international loans in a period of currency fluctuations. South African municipalities have a limited ability to make large infrastructure investments and are thereby indirectly encouraged to look for private sector solutions. But Biwater had great difficulty in raising the money and has depended on finance from the public sector. In July 2000, nearly two-thirds of the total finance (R195m) for the project was finally obtained in the form of a R125 million loan from the state-owned Development Bank of South Africa (DBSA).

GNUC has been criticized for not increasing access to water. But while access hasn't been greatly increased, rates have. The concession has nearly tripled service fees and been quick to cut off service for those who can't afford to pay. The price hikes, and persistent complaints that Biwater is failing to provide service to poor areas, have prompted consumers to boycott paying their skyrocketing water bills. Biwater officials claim that expanded access is being hampered by a lack of revenues and a credit crunch. As a Biwater senior manager explained, "What is the point of pumping money in while we are not sure of cost recovery?"

Even in those areas where water service is available, it is often provided only intermittently and sporadically. The metering system charges people for water even when the water isn't there, however, with the result that customers have to pay for up to 90 minutes of "air time" while they wait for water to come out of the tap once it's been turned on. In some townships, Biwater was switching water on only for three hours a day or less—and for a good portion of that time, taps were on but no water came out. "Yet during this period, household meters run, so it seems that people are being charged for air," SAMWU observed.

People cannot use their toilets at night because the water is switched off. When communities report broken water pipes, it takes Biwater more than four days to repair them. Water bills are grossly inflated and inaccurate. White areas in Nelspruit are getting much cheaper water than the townships. There has been an increase in disconnections. Disconnections are being performed illegally with no notices to households prior to disconnection.

Source: **http://www.citizen.org/cmep/Water/cmep_Water/fiascos/**

There are a number of lessons and therefore warnings that can be drawn from these and many other examples of utility or public service privatization.

Privatization Leads to Rate Increases

Corporations utilized rate hikes to maximize profits, which, by definition, is their bottom line. This bottom line often comes at the expense of water quality and customer service, but not at the expense of maintaining inflated executive salaries. Among the more unseemly aspects of handling water as a marketable commodity, rather than a basic human need and a natural resource, is that the poor are often denied access.

Privatization Undermines Water Quality

Because corporate agendas are driven by profits rather than the public good, privatization usually results in the compromising of environmental standards. The National Association of Water Companies (NAWC), which represents the US private water industry, intensively and perennially lobbies Congress and the Environmental Protection Agency to refrain from adopting higher water quality standards. The NAWC also persistently requests that all federal regulations be based on sound cost-benefit analysis, which means that public health is compromised for the sake of higher profits.

Companies Are Accountable to Shareholders, Not Consumers

In many cases, deals that government agencies made with water companies include exclusive distribution rights for 25 to 30 years, effectively sanctioning a monopoly. Companies are under little pressure to respond to customer concerns, especially when the product in question is not a luxury item that families can do without

Privatization Fosters Corruption

The very structure of privatization encourages corruption. Checks and balances that could prevent corruption, such as public accountability and transparency, are missing at every step of the process, from bidding on a contract to delivering water. Contracts are usually worked out behind closed doors with the details 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 - be it domestic, foreign or transnational - will work in the best interest of the community. Furthermore, if a community is dissatisfied with the performance of the company, buying back the water rights is very difficult and costly. Again, the prime directive of a water company is to maximize profits, not protect consumers.

Private Financing Costs More than Government Financing

There is a false perception that when water services are privatized, the financial burden will shift from the public to the private sector, which will save taxpayer money. In reality, taxpayers simply pay for these projects through their monthly bills, long term lease costs or when there are additional legal and monitoring demands on city services. Tax-free public financing at preferred interest rates translates into lower-costs for infrastructure projects, while taxable private financing results in higher costs.

Privatization Leads to Job Losses

Layoffs of workers often follow in the wake of privatization, as companies try to minimize costs and increase profits. As a result, layoffs can be devastating not only to the workers and their families, but to consumers as well. At times, service and water quality are put at risk due to understaffing. Considering the current economic climate and proposals by the Canadian Labour Congress, Prime Minister Stephen Harper and President Elect Barak Obama to stabilize the North American economy through job creation, this is a particularly serious criticism.

Privatization is Difficult to Reverse

Once a government agency hands over its water system to a private company, withdrawing from the agreement borders on the impossible. Proving breach of contract, for example, is a difficult and costly ordeal. And multinational trade agreements provide corporations with powerful legal recourse. A private company, for example, can use the North American Free Trade Agreement tribunals to challenges municipal By-Laws and policies that seek to benefit local business.

There is one more point to raise, in defense of public delivery of any public utilities or services. Opening the door to any P3 or 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 an application of local policies and By Laws.

The recent failed EPCOR effort to take over the drainage system in Edmonton (note the attached report) and Dow Agriservices Chapter 11 application in response to 2,4D herbicide bans by local governments show that this concern is not merely speculation but a real threat to local autonomy and public control.

No Defined Need for Change

There is neither clear explanation nor justification in the first place for the need to radically change the delivery model of water services for Winnipeg. The MCU proposal is **not based on an assessment of the Water and Waste Department (WWD) current capacity to deliver services**. In fact, the report notes that "The WWD has a good track record in terms of providing services in a manner that protects public health and stewardship of the environment." (page 23).

Without an analysis of what the WWD is failing to do, all the arguments in the report on what should or could be done better, are merely promotional, not analytical.

The Water & Waste Department is a very efficient provider of services for the City. The engineering and operating staff are expert in their specific fields. The staff have undergone extensive education and training and have attained the levels of certification required by Provincial Legislation. The City has invested heavily in this training and education. If a Private company is contracted by the new Utility, it would want City Staff to continue to deliver these services because of their expertise and experience.

However, the current complement of staff could diminish if a company has to maintain profit within rate structures that are acceptable to the public. Because of the competitive nature of the business and the provincially mandated levels of certification, it is highly likely there will be pressure to reduce staff rather than lower wages for highly trained employees. Will there be controls in place on the private contractors to ensure that all facilities are maintained with adequate numbers of trained staff?

Over the last decade City Councils have purged the revenue account of the Department to achieve balanced budgets. Pressure was put on City Budgets because of the freeze or reductions in Municipal Taxation. The current City Council has recognized that stripping the Department of their assets is wrong and as part of the 2008 budget exercise they have decided that from 2009 onward this practice would stop.

Stopping this practice will ensure that all of the revenue generated by the Department would be used strictly for the operation of the Department and therefore for the provision of water and waste services. It would also allow the department to plan for the future in terms of ongoing construction projects.

As a result of the Clean Environment Commission hearings that took place a couple of years ago a number of recommendations and orders were given to the City of Winnipeg for upgrading the Wastewater Treatment Plants. Never before in history has the Water & Wastewater operations had to deal with such a huge list of capital projects. Costs associated with Capital projects such as the upgrades for the West End and South End Wastewater Treatment plants are enormous given the rising cost of construction materials.

Given that the capital projects will continue even if City Council chooses to create the Municipal Utility, we need to ask - what are the real reasons for such change? All other Manitoba Municipalities are governed by the Public Utilities Board which approves any rate increases. The Union is sure if given the same opportunity to enjoy such an exemption (such as the City of Winnipeg enjoys for decades) every Municipality would jump at the chance.

If the problem was to just stop taking from the coffers of the department then the passage of a simple by-law by Council Resolution was all that was required. A privately run utility would have to obtain permission each and every time it wanted a rate increase. It would not stop rate increases for the ratepayers but the accountability on City Council would not be there. Removing this Utility from City Council's direct responsibility sends the wrong message to the public.

In short, there is nothing that an arm's length Utility can accomplish that the current Water & Waste Department could not accomplish. Our position is that if the Utility is set up without recognition of the current WWD capacity, and controls to assure the MCU remains a public resource, City Councilors are basically shirking their responsibilities as elected officers.

Water and Waste Department Potential

The Corporate Finance Department report and recommendations to Executive Policy Committee (EPC) on November 12th, lists eight benefits of a utility corporation model. We believe the WWD is now capable of meeting all these requirements.

1. ***maintain and enhance water and waste services to protect public health and environmental stewardship while increasing fiscal accountability to ratepayers;***

The Water & Waste Department is better equipped through the current governance structure to keep ahead of increasing 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 quality controls and regulatory compliance. For example, the administration of your WWD frequently meets with officials from other levels of government. It is their responsibility to stay in front of any regulatory changes and are the best positioned to take on these challenges.

2. ***ensuring on-time and on-budget delivery of capital construction projects for wastewater treatment;***

A Private Sector Partner cannot control factors that are out of their control. The WWD has experienced spiraling construction costs with the multitude of capital projects that are taking place. A private sector partner would experience the same barriers. There is no data available that indicates that a long term P3 arrangement would reduce the City’s exposure to risk. The WWD identifies the risks upfront and puts in place sound business practices to reduce those risks.

3. enhancing certainty of process with development of business contracts to provide for the many upgrades of our wastewater treatment systems;

The Water & Waste Department has never placed the ratepayers at risk. Any cost over runs or any delays in projects were driven by the economy and nothing that a Private Sector Partner could have changed over the past number of years. 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.

The Floodway expansion is an example of how the competitive nature of the construction business is being stretched. The Floodway expansion experienced the same thing as the City when it came to attracting competitive contracts. Political commitment and over site by elected officials is a far greater control on costs that mere contracts with Private Sector Partner. City employees have the political and professional commitment to maintain services, while Private Sector Partners will always have to temper public benefit with private profit.

4. ensuring financial sustainability of the utility services;

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 information from the Private Sector Partner or the City. The WWD has a long term commitment to serve the citizens of Winnipeg and as such they can be held responsible for the financial sustainability of the utility.

Note: “Does privatization of solid waste and water services reduce costs? A review of empirical studies”, by Germà Bel (Departament de Politica Econòmica, Universitat de Barcelona, Spain) and Mildred Warner (West Sibley Hall, Cornell University, USA). May 2008; **http://www.sciencedirect.com**)

5. create an arm’s length relationship for the Water and Waste Department (“WWD”) with the City with appropriate authority and control over its assets, rates and plans accessing new federal grant programs while preserving access to traditional grant programs;

As indicated above through the 2008 Budget exercise City Council indicated that starting in 2009 the purging of assets from the Water & Waste Department would stop. Property taxes are not being used by the Department to support the utility’s functions.

The Water & Waste Department, in conjunction with other Financial Departments of the City currently take advantage of grants available at various levels of government. This is not a new process for the Department and one that would not be enhanced by any Private Sector Partner. In fact, any private sector application for grants would require backing by the City to assure security.

6. improving ability to attract and retain specialized utility, professional and technical staff;

The Water & Waste Department currently attracts and employs some of the most highly qualified employees in the country. The Department works with Human Resources when seeking new staff. The City of Winnipeg has identified the need to train and educate more employees as they comply with the current Provincial Certification Legislation. Hundreds of thousands of dollars are being spent in upgrading the certification of employees so that the Department now has the largest number of certified employees in the province. A Private Sector Partner would not be as motivated to enhance staff qualifications.

7. serving other municipalities with utility services through business-like arrangements that protect the City and ratepayers from undue risk; and

The Department currently works with Capital Region partners in addressing topics related to their business. When instructed by Council, City staff are also being better equipped to conclude 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.

8. providing other utility related lines of business that fill market demand such as green energy including the geothermal energy, landfill gas and biogas from the City's wastewater treatment facilities.

The Water & Waste Department has already been investigating innovative ways of improving services and capturing energy.

In general then, current 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 Departmental, city employees can continue to be a beacon for other publicly run Municipal Utilities.

Better Ideas Available

We should be very clear, that as city workers, residents and taxpayers, we do not see anything in this report that should be seriously considered by EPC or Council. **The D&T report is based on faulty analysis, logic and assumptions** which culminate in recommendations that could jeopardize the delivery of a very important city utility.

Much like the Economic Opportunities Commission report of 2006, the report before Council **advocates reducing government over site, devolving responsibility and authority, and heightening risk for the maintenance of quality services**. The basis for the recommendations is the weak assumption that “business like” operations will be more able to assure regulatory compliance and risk management, than public institutions and scrutiny.

On the other hand, 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 an efficiently run service that was designed and implemented smoothly and thoroughly.

Similarly, the city should be open to public consultation on the delivery of public services. We have a wealth of experience and knowledge in the citizens of Winnipeg and the city should tap into this capacity to understand what is needed and make the commitments to support City initiatives to provide services.

The proposal, with such a heavy reliance on private sector involvement and ‘business like’ thinking, **reinforces public perception that Council is committed to gutting government while feeding business**. We have no objection to government and business collaborating to provide the public with efficient and economical services. But when it appears that politicians want to turn government into a business, where profit is the determining goal, not the benefits to the public, then we have a huge problem.

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

CUPE Local 500
CUPE National Research
November 2008

ng/cope 342

Internet Resources

Canada

Privatization Watch

Blue Planet Project

CBC: Water For Profit

Council of Canadians
Sierra Legal Defense Fund

Kairos Campaign, Water: Life Before Profit

Maude Barlow, UVIC address to Water in the City

POLIS Water Sustainability Project

PublicValues.ca

People Opposed to Outfall Pollution (POOP)

West Coast Environmental Law Water Bucket.ca

Vancouver Island Water Watch Coalition

CUPE National water research site

Greater Victoria Water Watch Coalition (GVWWC)

USA

Campaign for public water in Kentucky

Public Citizen, Water For All Campaign

Centre For Public Integrity

Sierra Club Water Privatization Task Force

International

Blue October Campaign

Food and Waterwatch

Transnational Institute

Waterjustice.org

CUPE Water Archives

Remunicipalisation.org