



FASTFACTS



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Selling Off Assets is No Way to Build Capacity Municipalities Buckling to the Privatization Illusion

If we followed Winnipeg mayoral candidate Sam Katz' advice, municipal civil services would be reduced to, maybe, fire fighters and police officers operating out of privately-owned buildings. He and other politicians are incanting a privatization mantra that is reducing the public services provided, while deferring costs to future generations.

It is true that local governments are under relentless pressure to expand and improve services. Citizens want and need recreational opportunities, affordable housing, downtown rejuvenation and economic development. Cities face escalating costs for infrastructure – replacing and repairing sidewalks and roads, upgrading water and waste facilities - and service delivery - public transit, recycling, garbage collection and heritage and cultural programs.

There is equally relentless pressure from particular segments of the community to reduce taxes. Cutting taxes is not high on the list for most citizens; quality services that enhance community life are. However, the Chambers of Commerce, the Canadian Federation of Independent Business, and others insist that the solution to all our public policy problems is to cut taxes.

Revenue sources available to local government to pay for these community needs are limited. Most municipal revenue is from "own sources" (property and business taxes, and user fees). Municipalities also receive provincial and federal government funds

that are tied to projects or activities, or unconditional grants that can be used for any purpose.

In the recent past, grants received from provincial and federal governments have not kept pace with the revenue requirements of local governments. Even the so-called 'New Deal' sought by Winnipeg and other cities promised much but delivered little. Sharing the gas tax still leaves cities dependent on the largesse of other levels of governments.

Many city governments seeking a way out of this dilemma are turning to the private sector to provide services on the assumption that they can do it more cheaply. The business lobby has added contracting out services, selling off city assets, and public-private partnerships to their tax cut demands. In the present elections in Brandon, for example, candidates received a two-item questionnaire from the Chamber. One of the questions asks: "If elected City Councilor, would you consider the opportunity of the private sector to compete for city services? Why or why not?"

But the record of privatization tells us that we will most likely end up with poorer municipal services, greater debt, and a loss of leverage.

Residential garbage collection in Winnipeg has been contracted out to large US-based corporations, Waste Management Inc. and BFI Canada. Starting with about half of the city's home collection in 1998, by 2005 collection for the whole city was contracted out. The



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Mayor justified this on the grounds that it would generate \$3 million annual savings for the same level and quality of services. The promised savings are now less than \$700,000 a year and falling, and there is growing dissatisfaction with the quality of the collection service.

In 1975, because of tax arrears, Brandon acquired a golf course and curling rink (the Recreation Centre). Under city ownership and management recreational activities at the Recreation Centre expanded and many improvements were made. A 12-year private contract for managing the Recreation Centre was entered into in 2000 on the promise of improved efficiencies in operations and superior marketing. But things at the Recreation Centre have deteriorated and the managers have jumped ship, leaving the fate of the Centre uncertain. The incumbent Mayor, Dave Burgess, has already stated that he wants to sell the facilities.

In 1996, Winnipeg's Handi-Transit system was significantly altered. Initially owned and operated by the City of Winnipeg, private transportation companies were hired to provide Handi-Transit trips, while the City maintained the 'dispatch' system - taking requests from users, creating drivers' schedules, and recording 'no shows' and trip cancellations. The Access Advisory Committee outlined many concerns about contracting out Handi-Transit. Their concerns were warranted. Since contracting out began:

- Operating costs have increased, leaving Handi-Transit with annual funding shortfalls.
- Individual contractors are responsible for the conduct and level of service provided by their drivers. Problems have arisen with a number of drivers that have not been addressed by their employers.
- Contractors are paid a set fee per trip and they determine what they will pay their drivers. Turnover is high, disrupting the level of quality and consistency for Handi-Transit users.

The Charleswood Bridge, a public-private partnership approved in 1995, also shows how much this approach can increase costs. Built and owned by DBF Ltd., the bridge is leased to the City of Winnipeg for about \$1 million a year. In 30 years, when the city gets ownership of the bridge, it will have paid out about \$32 million. That cost is much more (almost 30 percent) than if the city had built the bridge and financed it itself - \$10 million to build and \$15 million to finance.

These are just some of the local examples of the high cost of privatization. Experiences elsewhere – for example, the Moncton water treatment facility and the 3P schools in Nova Scotia – tell the same sad tale.

Privatizing municipal services is neither less costly, nor more effective, than public delivery. As well, municipal public services are and have been on a constant downward slide. Two previous *State of Public Services* reports by the CCPA-Manitoba have shown conclusively that municipal services are the most precarious of all public services in Manitoba.

In a nutshell, the situation for Manitoba municipalities is caused primarily by under funding. Despite the improvements in the revenue situation this year and for the immediate future, local governments continue to be jammed up by a shortfall of revenues in relation to what citizens expect them to do. This shortfall is, in large part, self made. We have to pay for what we need as citizens and communities through taxes. Local governments have to stop pandering to the tax cut lobby and tailor fiscal decisions to produce results that are in the best interests of the community as a whole. As well, local governments need access to revenue sources that are greater and more elastic than existing ones. Income, sales, gas, and hotel taxes are examples of potential revenue sources for local governments in Manitoba.

by Wayne Antony, Errol Black and Dennis Lewycky

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