



**CCPA**  
 CANADIAN CENTRE  
 for POLICY ALTERNATIVES  
 MANITOBA OFFICE

RESEARCH • ANALYSIS • SOLUTIONS

# FAST FACTS

**November 14, 2008**

## A REGIONAL WATER UTILITY: BUSINESS-LIKE GOVERNANCE OR A WAY TO DODGE RESPONSIBILITY?

**M**ayor Sam Katz wants to create a regional water utility to run Winnipeg’s sewer and water systems, possibly taking over garbage disposal and recycling as well. The agency would operate independently of city council and, if it wished, market Winnipeg’s water to adjacent municipalities.

The agency would set rates for the services it provides, applying to the provincial Public Utilities Board for permission to raise rates. Katz told the Winnipeg Free Press that “Handing this power over to the board would take politics out of the process.” Good idea, eh? No more interference in these services from low-life politicians: just good, honest, business-like governance.

Wait a minute: It was a politician that proposed this. Why would a political leader want to hand over a substantial chunk of his responsibility to someone else? The answer can be found in the city’s most recent six-year capital budget, which sets out the money that the city must invest in maintenance and improvement of its services.

The biggest liability on the list is \$826 million for sewage disposal projects, a consequence of the provincial government’s order to the city to stop

dumping raw sewage into the river system. Not far behind is \$164 million for the water system. Imagine how much easier the mayor’s life would be if future sewer and water rate increases, as well as sewage and water supply problems, could be blamed on the Public Utilities Board and the regional water agency.

Anyway, everyone seems to love the idea. The Free Press referred to it as “branching out”. In a radio interview, a couple of political leaders in municipalities adjacent to Winnipeg voiced their strong support, and expressed their impatience with nonsensical arguments about sprawl.

Sprawl? Does this have something to do with sprawl? In trying to answer that question, it helps to bear in mind that industrial and commercial development requires the kind of generous and reliable water supply that only a municipal water system can deliver. Already all the municipalities surrounding Winnipeg are able to build their revenues by offering opportunities for residential development at substantially lower tax rates than the ones Winnipeg can offer. But the lower tax rates and lower population densities means that these municipalities do not have sufficient revenues to invest in their own high-quality services.



**CCPA**  
 CANADIAN CENTRE  
 for POLICY ALTERNATIVES  
 MANITOBA OFFICE

309 - 323 Portage Avenue  
 Winnipeg, MB R3B 2C1  
 T 204.927.3200 F 204.927.3201  
 ccpamb@policyalternatives.ca  
 www.policyalternatives.ca

The *Fast Facts* are produced and distributed free via email. They can be reproduced as an OpEd or opinion piece without obtaining further permission, provided they are not edited, and full credit is given to both the author and the source, CCPA-MB. Please contact CCPA-MB today to begin your free subscription.

## *FAST FACTS continued ...*

---

The perfect solution is to tap into Winnipeg's infrastructure (ex-urban commuters who work in Winnipeg already do when they use Winnipeg's roads and bridges every day, but pay their taxes outside of Winnipeg).

It has been suggested that the sale of Winnipeg's water might be in the city's interest if adjacent municipalities were required to pay a substantial premium for the same service Winnipeg gets at a lower price, or that it might be all right if water were supplied on the stipulation that the adjacent municipalities could not use it for commercial or industrial development. The thing to remember is that, once water supply is turned over to an independent agency, such decisions will be out of the hands of either the citizens of Winnipeg or city council.

The independent water utility would be free to sell water to any municipality that wanted to buy it, and would have every incentive to do so at every opportunity. The setting of the price for the water service would be in the hands of the Public Utilities Board, also entirely beyond the control of Winnipeg's citizens or city council. The PUB would be unlikely to agree to differential rates for the same service.

Wouldn't it be nice if those municipalities could compete on similarly favourable terms for the Winnipeg region's industrial and commercial development? Indeed it would, for them. What about Winnipeg?

As it happens, I can draw you a picture of what the regional marketing of Winnipeg's water might hold in store for the city, because there is at least one precedent. After World War II, decision-makers in the thriving city of Detroit thought they had hit on a wonderful opportunity for revenue generation: Market their excellent

municipal water supply regionally. In the years that followed, Detroit lost its mainstay, automobile manufacturing, in part to municipalities in the region. Residential and commercial development joined the exodus.

Today a visitor to Detroit can, if she ignores warnings from tourism advisors - as I did a few years ago - walk for hours through the empty streets, past the abandoned buildings of what remains of one of America's most dynamic cities. It's actually quite safe. The streets are so empty that, if you do meet someone, they'll probably stop and talk to you, and they may tell you stories about the grand hotels, and the tycoons, the jazz musicians and factory workers who used to jostle each other in the crowded streets of Detroit.

Of course, Winnipeg is not Detroit. No two city histories are identical. But what we can learn from Detroit is how rapidly and completely a city can be devastated by growth beyond its boundaries, even a major city like Detroit, never mind a medium-sized or smaller city like Winnipeg. The downtowns of other smaller cities - Camden, N.J., and East St. Louis, Illinois are two examples of countless such cases - have been similarly ravaged. Given that potential, it makes no sense for Winnipeg voluntarily to give up one of the few development tools it controls, and turn it over to an agency that will have every incentive to meet its costs by promoting growth wherever possible, and no real incentive at all consider the city's ability to maintain its own viability.

*Chris Leo is a professor of politics at the University of Winnipeg and a CCPA Mb. research associate. Check out Chris's research-based blog at: <http://blog.uwinnipeg.ca/ChristopherLeo/>*



**CCPA**

CANADIAN CENTRE  
for POLICY ALTERNATIVES  
MANITOBA OFFICE

309 - 323 Portage Avenue  
Winnipeg, MB R3B 2C1  
T 204.927.3200 F 204.927.3201  
ccpamb@policyalternatives.ca  
www.policyalternatives.ca

The *Fast Facts* are produced and distributed free via email. They can be reproduced as an OpEd or opinion piece without obtaining further permission, provided they are not edited, and full credit is given to both the author and the source, CCPA-MB. Please contact CCPA-MB today to begin your free subscription.