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The Canadian Union of Public Employees

Local 108

Concerns about Contracting Out

Introduction

The Canadian Union of Public Employees represents close to 16,000 members in the province of Nova Scotia. Close to 500 of these women and men are outside workers in the Halifax Regional Municipality who work in areas such as: snow and ice removal, parks and grounds, maintenance, sports fields, water treatment, and other vital city services. They are proud of the services they provide to the public. The intention of this submission is to raise awareness of the issues facing these workers, and how service delivery is affected by decisions made by the HRM. CUPE wants to educate the municipality on how the current trend of contracting out municipal services is creating a negative change in service delivery to the public that they serve.

Municipalities are feeling the worst impact of globalization, downloading, funding cuts, restructuring, and amalgamations – and this means we all need to take on the new challenges facing our communities in a new way. The situation, especially for Canada's urban centres, has deteriorated. A shrinking financial base has caused many cities to forgo important new investments in infrastructure and many are struggling to find new ways of financing investments and services.

The HRM provides services to ensure a high quality of life in our communities. They have brought services into the public arena in order to meet basic human needs, protect health and safety and advance other important social policy objectives. Public services are key determinants of the quality of life in communities because they deliver high quality services at an affordable cost to the people who live and work in the HRM.

The importance of CUPE members to the vibrant growth of our communities cannot be overstated. It is CUPE members who are on the frontline and present the face of our cities and communities to the Canadian and international community. CUPE members contribute greatly to the wealth and health of communities throughout Canada.

Two studies recently released by Statistics Canada show clearly that Canada's publicly owned infrastructure – roads, water, wastewater treatment, bridges, etc. – have a positive impact on the productivity and economic performance of the Canadian business sector. They also show how the federal government has increasingly abandoned its responsibility to provide infrastructure directly.¹

¹ Statistics Canada (2003) Public Infrastructure and the Performance of the Canadian Economy, 1961-2000)

Privatization of Services

Increasingly, municipal staff and elected leaders across the country are hearing a consistent ideological message – private financing and operation of public infrastructure is necessary and “partnerships” are the way to go. The current push towards the privatization of public services may be persuasive, but we believe it is ill-conceived.

Here in HRM, we have seen a disturbing new reliance on ‘contracting out’ of core services over the past 10 years as an attempt to trim the bottom line.

Public service expertise is often needed, but missing when private contractors are used, invariably resulting in reduced quality of service. Your own employees see the proof of this on an almost daily basis, when they are dispatched to ‘clean up’ the mistakes made by contractors.

High turnover is common with private contractors. Because private sector support services pay lower wages than public sector support services, and seldom provide benefits or pensions, private sector employees are more likely to leave their jobs. Quality of service is invariably compromised.

Accountability

There are also problems with the accountability of private contractors who privatize information that should be kept clearly within the public realm. This is a major problem, as the public is often denied access to vital information on the grounds of commercial confidentiality. When private managers take over, the aim is to cut costs, even at the expense of services. Public control of public resources is essential.

There are also many hidden costs that are not included in the price of the contract. For example, the cost to the city for all the administrative and legal work involved in drafting a tender is often not included in the cost of contracting-out. Other hidden costs to the city include the supervision and monitoring of the contractor's work. As well, there could be future disputes with a contractor that could involve additional legal fees that the city must incur.

An important question to ask when considering contracting out is: who will be responsible for the costs of repairing damage and correcting sub-standard work? Very often in cases of contracting-out, city employees are called in to re-do the shoddy work of contractors at an additional cost to the city. For example, our city crews often have to clean up a mess after snow and ice contractors plow sidewalks and

curbs. Our crews have to go back to the job sites to repair damage done to curbs and grass, thus charging more money to the Winter Works Operation budget. City crews also haul sand in city trucks and deliver materials for contractors, which makes the contractor's bill to the city smaller because city crews have done some of the work and used city equipment. The city is, in essence, subsidizing the work of the private contractors.

Money being squandered in HRM Right Now

The HRM owns pieces of equipment called 'Tracklesses' which can be used year round to do a variety of jobs including: plowing snow on sidewalks, sweeping sidewalks, cutting back any growth that is encroaching the roadway, and cutting ball fields. The fields that are played on in the HRM are overused and have not been properly maintained: i.e. over-seeding, top dressing, de-thatching, etc.

Rather than using our own equipment, the city hires contractors during the winter to plow sidewalks with a bobcat or a similar piece of equipment. The contractor has to pay for the bobcat, fuel, transporting equipment, storage, maintenance, insurance, and still needs to pay employees to work the equipment and make a profit.

Contractors also pay 15% HST on everything they buy – which they of course charge back to HRM: municipalities have an HST exemption.

In sharp contrast, public services are not profit driven which means that their main focus is on providing quality of services in a cost-efficient manner, not on cutting corners to save dollars.

The HRM has many resources that are already in place for example: storage, supervisors, maintenance, fuel, equipment, etc. If these were utilized to their full potential the city would not have to pay contractors. Instead HRM pays a contractor for winter maintenance with a bobcat and then pays another contractor to do summer work with the associated costs of the truck, trailer, and equipment. Meanwhile the HRM-owned Tracklesses sit in storage, not being used, for all of the summer months. We are paying for the storage and equipment when all that is needed is to put an HRM employee into a trackless year round.

Fleet maintenance staff

Another issue that needs to be considered is that of the fleet maintenance staff. HRM used to have mechanics in place at Cowie Hill, MacIntosh Street and in Dartmouth at Turner Drive.

Most of the time when a piece of equipment was having problems, the operator was able to bring the equipment back to the shop for repairs. However, now that all fleet maintenance is done out of Turner Drive, getting a damaged piece of equipment across the bridge is often out of the question. This creates an extra unnecessary cost because equipment has to be transported to Dartmouth for any major repairs. There used to be mechanics based in Halifax buildings year round with the proper equipment and facilities to do this work.

The Example of Sewer Jets

On October 4, 2004 Gary Welsh, President CUPE Local 108, contacted the Director of Transportation and Public Works and Mayor Peter Kelly regarding sewer jets belonging to the HRM. The issue with the sewer jets is that contractors were doing work that either had been done or could be done by sewer jets owned by the HRM. The HRM vehicles require an adapter for their pump off systems, which the Municipality had apparently ordered in 2004. It is now 2006 and nothing has arrived, in fact these pieces of equipment that are valued at over hundreds of thousands of dollars are still sitting in depots rusting. CUPE is very concerned to see contractors doing the work of HRM employees and wasting hundreds of thousands of dollars worth of machinery for years because of a small adapter.

The Director of Transportation and Public Works responded to Gary Welsh on October 7, 2004 by stating that dewatering systems would be installed at the end of the cleaning system when they are sent to winter maintenance. This was two years ago. On October 8, 2004 Mayor Peter Kelly also responded to Gary Welsh's letter stating that he feels the Director of Transportation and Public Works had addressed the concerns of CUPE.

There are six sewer jets owned by HRM that are valued at close to \$300,000 each. The adapter needed to keep HRM employees doing their work is valued at close to \$10,000. There is plenty of work for CUPE employees right now, but the maximum number of sewer jets that can run at a time is two because there are not enough employees to run them.

Use our seasonal workers

Instead of filling open positions or hiring seasonal workers to utilize HRM's own equipment, it appears the municipality would prefer to pay private contractors to do public jobs.

The above-noted examples – and there are many more - show that the problems with contracting out are having a profoundly negative affect on the frontline, and the bottom line. This cannot be good news for HRM taxpayers.

Conclusions and Policy Implications

Over the past decade, changes and contracting out have been taking place each year for both winter and summer work. Changes include the shuffling of employees, work and supervision which creates issues for workers' morale and stress levels. Local 108 members inform us that input from employees is **never** sought out before changes are made.

The Halifax Regional Municipality is cultivating their image as a growing urban centre. To do this, they need to offer better services and keep their municipal workforce growing at the rate of the municipality. Instead, the public workforce is shrinking, employees who retire, resign, or leave are not replaced, and the workforce continues to age. Curiously, the HRM has not decreased the number of managers or supervisors, which creates a top-heavy workforce. The morale in the frontline workforce is very low – employees need to see

an opportunity for advancement and need to have their workforce kept strong enough to do the work.

HRM's elected representatives along with its senior managers need to ensure that services are delivered and tax dollars are being used wisely with the ultimate goal of realizing increased growth in our economy. Contractors' employees are underpaid and have little to no benefits. This affects our government tax dollars at a higher level.

Contractors often lay-off their employees during their down times. This means that already underpaid employees now have to either seek other work or rely on unemployment insurance benefits. This drives up our unemployment rates and deductions, ultimately meaning less money being invested into the local economy.

Good jobs make a strong economy. When community members are proud of the services that they provide and earn a living wage, they are more productive members of the community in many ways. They are more likely to be retained at their place of employment, which increases the quality of work. Local economies are driven by community members earning enough money to spend on service. Even

the late Henry Ford understood that his own employees had to be able to afford to buy the products he was making.

In short, the stress and lack of moral instilled in city workers who see their services being contracted out has a negative impact on retention of workers and the quality of work being done.

It is time HRM re-examined this short-sighted approach to how municipal services are being delivered. Services such as grass cutting, clearing of sidewalks in the winter and the others we have mentioned could be contracted in at significant savings to HRM taxpayers.

We believe HRM Council has been seriously misled on the so-called cost-savings associated with contracting out and needs to get back to providing quality, public services with the people they already have on their payroll.

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