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## *Competition for Waste Service Contracts Saves Money for Cities, Multi-City Analysis Shows: C.D. Howe Institute*

Toronto, Sept. 9 – Cities save money through competitive tendering of waste services contracts, according to a study released today by the C.D. Howe Institute. In *“Picking up Savings: The Benefits of Competition in Municipal Waste Services,”* policy analyst Benjamin Dachis finds municipalities that have their waste services provided through contracted operations have substantially lower average costs per household than municipalities with few of their services provided through contracts.

Municipal waste management has become the touchstone of the debate over the merits of public versus private provision of municipal services, notes the author. Many major Canadian cities have contracted out some or all of their waste management services.

The study shows that where city employees provide the bulk of waste services, such as in Toronto and many others in Ontario, Vancouver, and Calgary, municipalities could reduce the costs of their waste services through increased contracting. Contracting can also be used to attain other goals, such as increased recycling rates, if municipalities provide incentive payments for contractors who meet their targets.

Dachis conducts a comprehensive analysis of the finances of all Ontario municipalities and finds:

- Municipalities with waste services that are fully contracted-out have substantially lower average costs per household than municipalities with few of their services provided through contracts.
- Further, cost savings are particularly strong when collection services are provided by private contractors, but recycling and waste disposal contracting are equally cost-effective when contracted out to other nearby municipalities.

However, says Dachis, cost savings from contracting will be apparent only if municipalities follow certain guidelines. Contracts should clearly define outcomes, and not specific processes, that contractors must meet. Municipalities might retain ownership of municipality-specific

assets, such as landfills or waste-to-energy facilities, but contract out their operation, to prevent contractors from monopolizing local infrastructure that cannot be easily replaced. Municipalities can also retain a role for public employees in waste services by opening bidding for waste services to both private contractors and current public employees.

Municipal policymakers who contract out waste services through a well-designed contracting mechanism can reduce the costs of providing waste services and limit the consequences of municipal strikes.

For the study, go to [www.cdhowe.org](http://www.cdhowe.org)

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*Picking up Savings: The Benefits of Competition in Municipal Waste Services*, C.D. Howe Institute Commentary No. 308, by Benjamin Dachis (September 2010). 24 pp; \$12.00 (prepaid, plus postage & handling and GST – please contact the Institute for details). ISBN 978-0-88806-814-9.

Copies are available from: Renouf Publishing Company Limited, 5369 Canotek Road, Ottawa, Ontario K1J 9J3; or directly from the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available from the Institute's website at [www.cdhowe.org](http://www.cdhowe.org).