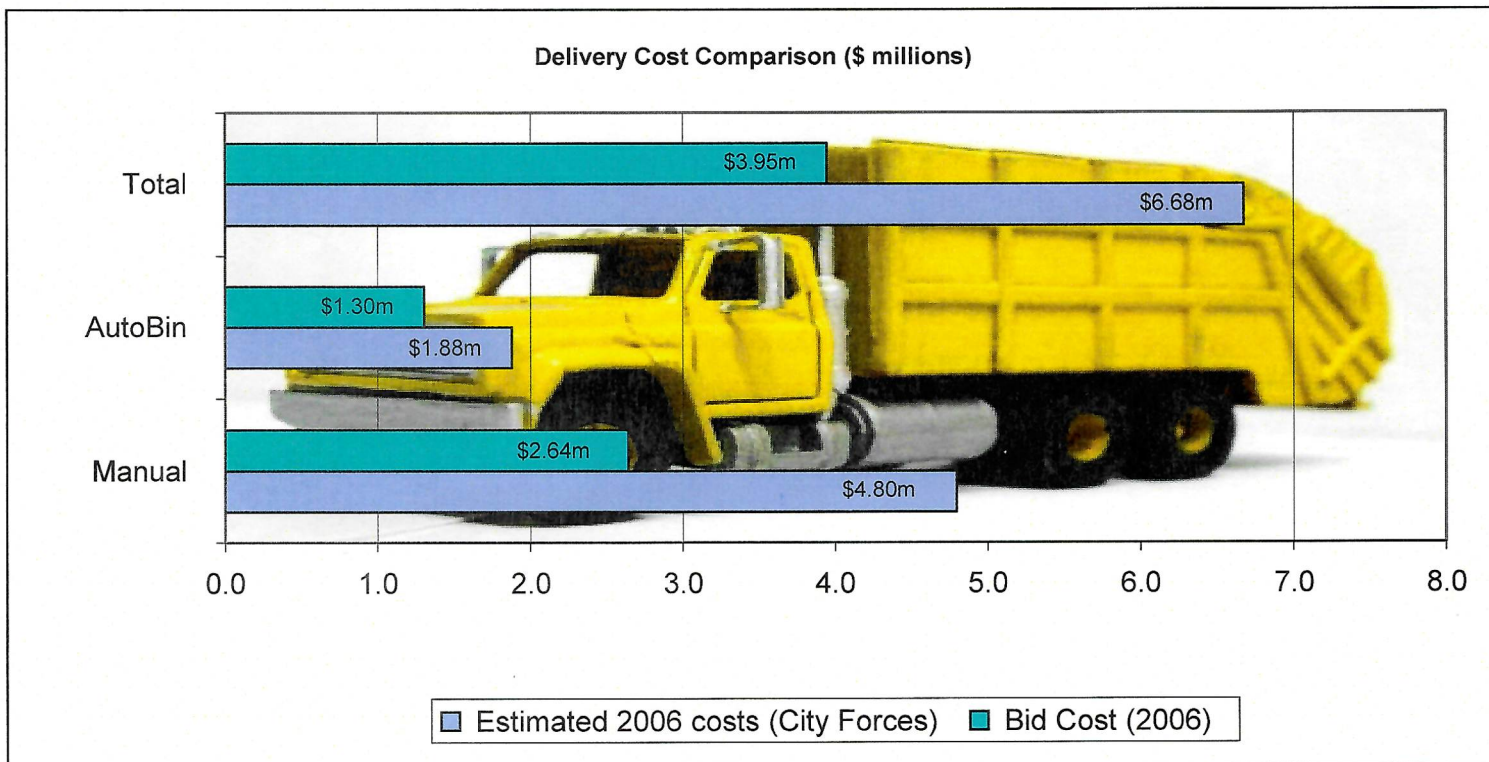


Competitive Tendering Saves Winnipeg 40%



When the City of Winnipeg decided that its garbage collection service should be open to competitive tendering in late 2005, dramatic savings were revealed. Garbage collection contracts consist of automatic and manual collection components, and as this chart shows, competitive tendering has reduced delivery costs for both with a projected net saving of 40.9%.

Public vs. Private delivery or Competitive vs. Monopoly delivery?

Some might interpret this result as proof positive that private delivery of services is fundamentally better than provision through an in-house city workforce. However, the Frontier Centre has documented delivery models, known as managed competition, where in-house workforces organized as internal business units have out-competed external service providers (see materials on Phoenix and Indianapolis). In these case studies, management overheads were streamlined, profit sharing systems implemented and work rules simplified to lower in-house costs and improve competitiveness.

Lessons

- Winnipeg’s savings from contracting out garbage collection match the broader research experience that competitive service delivery will reduce delivery costs from 30 to 50%.
- Unions in unreformed, old style service delivery models will go out of business when city councils and senior management understand the magnitude of savings possible from moving to competitive, transparent delivery systems.
- To survive, unions should embrace delivery reform and the managed competition model.

Data Source: City of Winnipeg Council Minutes October 26, 2005. Minute No. 765 pp9 [Available online: www.winnipeg.ca]