

Summary of Service Delivery Models (as per CH2M HILL Report)

The following are descriptions for each of the service delivery models as outlined in CH2M HILL's report, including advantages and disadvantages of each. Waste & Recycling Services will conduct further analysis two service (Full Public Sector and Mixed Service-Managed Competition, ***bolded below***) models to determine what service delivery model should be provided to Calgarians and report back by 2015 March.

Service Model	Advantages	Disadvantages
<u>Full Public Sector:</u> - Collection operations are performed by City employees. - City responsible for recruiting, hiring and managing employees. - City must specify, procure and maintain collection vehicles and equipment. - Conduct own collection systems customer service operations. - Employ unionized labour and provide benefits.	- More control over scope and quality of service, which makes it easier to provide high quality service than in private sector models. - Often results in higher pay, better working conditions, and better worker benefits. - No contract monitoring and procurement costs. - Eliminates incumbent contractor advantage. - Municipal crews can be used to provide other services (e.g., emergency response). - Access to lower cost capital.	- Funds for collection service compete with funds for other essential services (e.g., roads, parks). This can result in funding shortfalls to meet agreed upon service levels. - The pressures to limit tax and fee increase and deliver high quality service are in conflict. - Unlike private sector, no profit motive exists to help drive efficiency. - Requires hiring and retaining a capable workforce. - Labour union requirements may prevent productivity improvements. - Procurement system may lead to higher costs for vehicles, containers and fuel. - Collection fleet maintenance departments that provide service to many types of vehicles may be less efficient.
<u>Full Privatization, One Hauler:</u> - One private company is selected to provide collection services throughout the city. - Implemented using contract, exclusive franchise agreement, or exclusive permit. - Agreement with penalties typically used to ensure service quality. - May employ a mix of unionized and non-unionized workers.	- Usually more flexible work rules. - Profit incentive often results in lower cost operations than public sector provision, at least initially. - Full control over all aspects of collection including fleet and container purchase, and maintenance. - Often hauler has relationships with other waste services, such as material recovery facilities (MRFs), transfer stations, landfills, and regional customer service centres.	- Incumbent has a distinct advantage in future proposals or bids and from add-on costs for service changes: thus, costs can rise substantially over time. - No pool of collectors if non-performance occurs. - Procurement process adds time, complexity and monitoring. - More complex for city to monitor and manage. Service may be more expensive because of managing a contract. - Changing the type or frequency of services provided can be more difficult to implement because any such changes must be negotiated with private hauler. - Many complex issues to resolve during any transition to privatization (e.g., customer service, fleet, information technology, legal, risk management)
<u>Full Privatization, Multiple Haulers in Exclusive Geographic Zones:</u> - Multiple collection zones are established but only one hauler collects from each geographic zone. - Contract via RFP, permitting process, or	- Same as Full Privatization, One Hauler, plus: - Preserves competition by allowing multiple haulers to work in the city or for a portion of the business; this advantage can be retained for the long-term much more easily than the one-hauler privatization model.	- Same as Full Privatization, One Hauler, plus: - Economies of scale are dependent on the size of the zones tendered (costs can increase if zones are too small). - More complex for city to monitor and manage. Service may be more expensive than a single

through direct negotiations. - Allows for different haulers to collect in different zones without direct competition and space. - City may choose to operate customer service call centre or allow haulers to provide.	- Provides backup in case of emergency or default by one hauler. - May allow City to choose specialized haulers in providing service within a particulate area of the city.	provider because of the cost of managing multiple contracts. - Public policy can be more difficult to implement because service changes need to be negotiated with private haulers. - Can be somewhat more difficult for municipality to standardize collection operations and public educating systems. - Some increase in complexity of recovering and analyzing collection data. - Procurement process adds time, complexity and staff requirements for monitoring
<u>Mixed Service-Managed Competition:</u> - Multiple collection zones are established. - City crews collect in one or more zones, other zones are collected by one or more private firms. - Can be implemented by city deciding to retain some areas of the city (mixed service) or through a managed competition process where the city competes with private service providers.	- Same as Full Privatization, Multiple Haulers in Exclusive Geographic Zones, plus: - Allows city to try privatization without losing ability to collect using public sector resources. - Provides strong incentive for public operations to achieve efficiencies. - Can foster innovation and creativity of front-line employees. - Allows city to evaluate private hauler costs directly against known city costs.	- Same as Full Privatization, Multiple Haulers in Exclusive Geographic Zones, plus: - Managed competition can be complex to implement effectively and then administer.
<u>Different Providers for Different Materials:</u> - One or more materials collected by public sector and one or more materials collected by private sector in the same geographic area or city-wide. - May include managed competition.	- Same as Mixed Service – Managed Competition, plus: - Allows city to focus on delivering services it is most comfortable and experienced in delivering.	- Same as Mixed Service – Managed Competition, plus: - May result in confusion about who is responsible for service delivery problems, safety and missed collections. - More difficult to coordinate and maintain same day of service as collection boundaries change through time. - Can be more difficult to get consistent messaging across to customers about who delivers what service.