

**CUPE Ontario
Briefing for the**

**Durham Region Council
Committee of the Whole on the
Proposed P3 Incinerator Project**

Tuesday, June 16, 2009



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Introduction

Members of Council, I am here on behalf of CUPE members from Local 1785 – the outside workers – and Local 1764 – the inside workers – Durham Region. As your employees and your constituents, they have serious concerns with this “Energy From Waste” (EFW) project.

CUPE Ontario shares these concerns, so we are here to make two critical points today:

- 1) Incineration raises documented Health and Environmental concerns.**
- 2) A P3 approach is not recommended from a public policy perspective.**

Health Concerns

Incineration is not a safe option for waste disposal. There are a range of medical studies that indicate a clear association between exposure to air emissions from incinerators and adverse health impacts. CUPE Ontario understands that official reports often claim that emissions levels will be “acceptable” or “not significant” – this is not true. No one is sure what levels of exposure to many of the chemicals in question is safe. Given the extremely toxic nature of substances such as nitrogen oxides, sulphur oxides, particulates, PCBs, arsenic, cobalt, cadmium, lead and dioxins that incinerators will emit into the atmosphere, it is not possible to say that emission levels will be “safe.” Any exposure constitutes risk. Experts note that “a broad range of health effects have been associated with living near incinerators as well as with working at these installations. Such effects include cancer (among both children and adults), adverse impacts on the respiratory system, heart disease, immune system effects, increased allergies and congenital abnormalities.” This comprehensive report stresses that “modern incinerators operating in the last few years have also been associated with adverse health effects.”

Studies from Japan, Spain and Germany document negative health impacts on residents who live near incinerators. Incinerator workers in Italy, U.S. and Sweden have been shown to have significantly higher gastric cancer mortality; a high prevalence of hypertension and higher death rates from lung cancer and heart disease. The National Institute for Occupational Safety and Health in the U.S. found that, in particular, cleaning operations at incinerators poses a health hazard.

Environmental Concerns

We have two major concerns regarding the sustainability of an incinerator.

1) The long-term costs of incineration are incalculable.

Carbon emissions will be regulated in the next few years as the Province tries to dial down on climate change – and each ton of carbon emission will require payment or a purchased credit. Council should factor this into their projected costs for this incinerator. Council should also consider their responsibility if this operation does turn out to have serious pollution problems and an expensive clean-up is required.

2) Incinerators do not create incentives for reusing, reducing and recycling.

Instead, the incinerator requires a steady supply of tonnage, and Durham will be forced to produce garbage to feed the beast. This is against every principle of sustainable waste disposal.

Durham Region will either have to keep producing mountains of garbage to burn or will have to solicit garbage from Toronto and other parts of the GTA to keep this plant going.

Public-Private Partnerships (P3s) are Bad Fiscal and Bad Public Policy

CUPE Ontario's position is that Durham's waste management solution should never be undertaken as a P3 model.

The P3 model of having a private operator come in with a Design-Build-Operate, or even a Design-Build-Operate-Finance model, does not serve the best interests of residents. In particular, having a private corporation run a plant on long-term (25-35) year contracts – is

a particularly bad idea since it locks you in for decades. CUPE's research shows time and time again that P3s over-promise and under-deliver.

P3s are more expensive because of higher private-sector borrowing costs – after all, municipalities typically have the best credit ratings and access to the lowest borrowing rates, making public-sector borrowing the cheapest way to finance large infrastructure projects.

It is a mistake to think that the cost of borrowing is not ultimately borne by the taxpayers of your municipality in a P3 project just because you are not carrying the debt on your books. Your constituents will pay for the private company's higher borrowing costs through the profits the private company generates at every stage, whether in financing, designing, building or operating the P3 plant.

CUPE's own research has demonstrated that this happens in P3 projects across Canada. Independent forensic accountants Ron Parks and Rosanne Terhart of the accounting firm Blair Mackay Mynett Valuations in British Columbia have also recently found that, "because the cash costs to government in P3 projects occur much later in the life of a project than in a public project, this, combined with the overly-high discount rate, almost always serves to portray the P3 as offering more value for money." But as Parks and Terhart note, this is simply not true. Let there be no misconceptions among Council members that, over the life of a Design-Build-Operate P3 project, costs to taxpayers will be significantly more than it would be with a public operation. As Parks and Terhart's study also demonstrates, it is because of the distorted "discount" calculations offered on P3 projects that we are misled as to the ultimate cost of such projects.

Another new report by economist Hugh Mackenzie called, "Bad Before, Worse Now: The Financial Crisis and the Skyrocketing Costs of Public Private Partnerships (P3s)," was released yesterday in Ottawa. It documents how the financial crisis has made P3s an even more expensive and risky way to build public goods like hospitals, roads and schools. A financing cost disadvantage that had reached as much as 60 per cent in the early stages of the credit crunch has now reached 83 per cent, even assuming that P3 operators are

prepared to accept lower rates of profit than they were earning previously. That means that governments can afford to invest 83 per cent more in infrastructure projects if they are publicly financed than if they were privately financed.

We would also like to suggest that, given the economic recession when both the Provincial and Federal Governments are offering to step up to the plate with infrastructure investment monies as part of their stimulus spending packages, it makes sense for Council to establish a large public asset.

Conclusion

Waste disposal is a complicated and difficult issue. But Council needs to be mindful that we cannot make waste disappear by burning it. When we burn waste, we reduce it to 30 per cent and then create new problems with residue disposal. Incinerators are being phased out across the world because of health and environmental concerns. The real solution to the waste crisis is a basket of options, including packaging regulation, mandatory re-use, manufacturer end cycle responsibility, composting and recycling programs.

One last point to draw your attention to is toxic labour relations history between Covanta, the preferred vendor to operate the EFW incinerator, and their workforce in the U.S. The U.S. Occupational Safety and Health Administration (OSHA) has issued new citations against Covanta for serious violations of safety rules at its waste incinerator in Rochester, Massachusetts, and proposed total penalties of U.S. \$13,500.

The U.S. government agency cited seven "serious" violations of safety rules, including accumulated fly ash on energized 208-volt electrical equipment, exposing workers to hazards such as arc flash and blast. The citations, issued on June 1, were based on an April 22 inspection requested by Utility Workers Union Local 369, which represents employees at the plant.

"Covanta's repeated disregard of safety rules is shocking, considering the fact that a waste incinerator is an inherently dangerous facility," stated Gary P. Sullivan, President of Local 369. "Covanta is required by law to provide employees with a safe place to work, and our

union will make certain this company is held accountable whenever it fails to meet that responsibility.”

The action marks the second time in two months Covanta has been cited for safety violations at the Rochester incinerator. On April 2, 2009, OSHA cited four other serious violations against Covanta for “maintaining” electrical equipment with duct tape and cardboard and for storing combustible acetylene cylinders next to oxygen cylinders. Under U.S. law, a “serious” violation occurs when there is a substantial probability that death or serious physical harm could result from the unsafe condition and the company knew, or should have known, about the violation. Other dangerous conditions cited in the new complaint include:

- Flexible cords “hot-wired” into electrical equipment as a substitute for fixed wiring;
- Unguarded lamps exposing workers to burn hazards;
- Emergency lighting units missing or not functioning;
- Broken facing on an electrical receptacle, exposing workers to electric shock hazards;
- Rails on catwalks and stairways corroded through; and
- An “arc flash suit” dirty with corrosive fly ash, thus not maintained in a reliable condition.

Covanta was also cited by OSHA in September 2007 for failing to require employees fighting a fire inside the Rochester facility to wear suitable protective equipment.

We foresee very difficult times for the Region when doing business with such an operation. Current estimates are that the plant will cost \$198 million to build and \$17 million per year to operate. We fear the cost, the health and environmental consequences, and worry that labour relations will deteriorate.

On behalf of CUPE employees of the Council and CUPE members who are residents of Durham Region, we urge you to reconsider this plan to build and operate an Energy from Waste incinerator as a P3 project with Covanta.