



REPORT

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EDITORIAL

First Things First

Proposition 2½, Massachusetts's tax-break measure of November 4, 1980, sounded like a taxpayers' dream. Cities were required to roll back property taxes to a maximum of 2½% of assessed home value, a break in the clouds to home owners whose taxes had been as high as 8%. With millions of dollars back in taxpayers' pockets, it looked like a major victory for the tax revolt. But just 6 months later, all was not roses. Boston's Mayor Kevin White was lamenting, "I'm tellin' ya,

we're going into bankruptcy." It seems that the city is over \$230 million in the red, with the result that police and firemen are being laid off and schools are facing the prospect of shutting down because they have exhausted their budgets seven weeks early.

How could such a thing happen? Can we expect the same fate in our own cities as HALT attempts to bring about tax reductions?

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FEATURE

Another American Tragedy

by Henry Hazlitt

Mr. Hazlitt, noted American journalist and economist, is a member of HALT's Board of Advisors. His observations on the American automobile industry apply equally to our own interventionist exercises.

One recognizable sign of a troubled economy is that the nation's large, basic industries fall on evil days.

That is exactly what has happened to the American automobile industry, which for half a century stood as the leading symbol of America's industrial supremacy.

In 1980 General Motors Corporation reported its first full-year loss in nearly six decades. That loss amounted to \$763 million.

The other domestic auto-makers did even worse. The Ford Motor Co. has reported a 1980 loss of about \$1.5 billion and Chrysler of about \$1.7 billion. The outlook for the current quarter is not much better. There have

been massive layoffs of workers.

There are important questions to be asked about the disastrous turnaround in this industry. Why were our auto-makers so utterly unprepared for the OPEC price boost? Why did they go on so long, producing those giant gas guzzlers?

Isn't it surprising that so many of the same managers who were responsible for making America the motor-car leader had seemingly lost their previous alertness and initiative? Why did it all happen?

A pattern of intervention

To answer these questions properly, we have to go back and acknowledge a pattern of federal intervention that has increasingly been undermining the international competitive position of all American industry for half a century.

In 1932 Congress passed the Norris-LaGuardia Act. This practically prevented an employer from getting injunctive relief from union vandalism

and violence. In 1935 came the Wagner Act, and in 1947 the milder Taft-Hartley Act. These two statutes compelled employers to "bargain" in good faith with unions, which meant in practice to make concessions. In 1938 came the first of a series of minimum-wage laws that kept hiking wages above where they already happened to be.

Thus the patterns of intervention continued and got worse. The net result of all this was to raise US production costs to levels that are no longer competitive.

One reason Japanese cars can compete so well against our own is lower labor costs. The comparison is difficult to make with precision, but it was recently calculated, for example, that the leading automobile companies in Japan pay their workers \$11 an hour (at current exchange rates) compared with \$18 an hour in the US.

Obviously this makes it increasingly

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Real City Dump: Bookkeeping

by Paul Geddes
and Heather Engstrom

In March, the HALT Report published an article comparing Vancouver's municipal garbage collection with that of Len Remple, private contractor, in Surrey. Follow-up research has augmented these early conclusions. This article explores further findings on the subject.

A great problem with government-provided service is always an alarming lack of accountability. As proof, consider the following two examples extracted from HALT's research attempting to place a price tag on Vancouver's municipal waste collection service.

EDITORIAL (continued)

The answer lies in avoiding wishful thinking. The tax reformer must keep in mind that not everyone shares his enthusiasm for reducing taxes. Those who work at city hall, for example, or who are paid by tax dollars, quite naturally object to tax reduction. They see themselves as fulfilling an essential role in society and expect not only to see their jobs continue but to be well paid. Tax cuts threaten them. To ask these same people to take on the responsibility for reducing spending just won't work. Boston's potential bankruptcy is the proof.

What is happening in Boston will happen wherever people look for an easy way out of a complicated problem. It is up to the taxpayers, not the taxspenders, to find solutions to the problem of a horrendously expensive government. This must be HALT's method.

In Calgary, HALT prevented new and unwanted spending by stopping the Civic Centre. This resulted in tax savings but did not result in policemen being laid off. In Vancouver, HALT is working at privatizing garbage collection. If successful, spending will be reduced and the saving passed back through lower taxes. However, no schools will close.

HALT's method, then, is a cycle of spending cuts followed by tax savings. Each spending cut will be planned so that no paring of services in unpredictable areas will be justifiable. After all, government spending and taxes are opposite sides of the same

Playing with statistics

A recent City Engineer's report to City Council referred to a survey of 22 North American cities of comparable size, showing that Vancouver had the third lowest collection costs. However, after considerable effort, HALT determined that the survey was totally superficial, calculated on a simple per capita basis: i.e., taking the cost of municipal garbage collection and dividing it by total population. In Vancouver's case, this is startlingly irresponsible since almost 50% of Vancouver's garbage, including as much as one-third of Vancouver's household refuse, is collected by private companies.

coin. Both shrink and expand at the same rate. HALT's strategy must be to insure that the shrinking comes about in the proper sequence: first, cut spending and then taxes. Only in that way will government be reduced in size and cost without nasty surprises to us all.

by Richard Bolstler

FEATURE (continued)

difficult for American business to compete in the world market, or against imports in the domestic market. It creates chronic American unemployment.

Now then, how wise was the original decision to bail out Chrysler? We were told it was necessary in order to save American jobs. No doubt the move did preserve, for a time, certain specific jobs. But what happened on net balance?

In 1980 imported cars captured 26.5% of the market. The domestic makers reported sales of about 6.6 million, the worst sales year since 1961. But if Chrysler had been allowed to go out of business, it is probable that the remaining domestic companies would have sold at least three-quarters of those 6.6 million units and perhaps nearly all of them.

Bail-out responsible for layoffs

In other words, with Chrysler out of the way, GM, Ford, and the smaller US companies would have sold most of the cars that Chrysler sold.

The government "salvage" operation changed the places where

The only surprising result of this survey is that Vancouver managed to place only third lowest in such a stacked statistical deck.

Lemonade stand accounting

The stated aim of the City's container service is to operate an at-cost collection system. Rates are to be set "to recover expenses, including all overhead and interest on the capital plant." In other words, the City is purportedly aiming for complete accountability.

The costs reported publically in the City's Annual Report tell a different story. For example, included in

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Henry Hazlitt

the unemployment occurred. GM had to let 107,000 workers go during 1980, and more this year.

Meanwhile, the government continues to shift resources from the competitive manufacturers, Ford and GM, to the non-competitive Chrysler in more ways than one. In order to make \$400 million of additional federal loan guarantees available for Chrysler, the company's employees agreed on January 30 to a 13% pay cut.

Could GM and Ford secure equal pay cuts, which would improve their ability to compete in the world market?

It is time that we, the public, stopped our facile condemnations of

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BOOKKEEPING *(continued)*

operating costs of the City's regular-route household service is a portion of the engineering department's costs and some general overhead costs, some of which can be allocated to the container service. Not included, however, are the portion of legal fees, insurance protection or personnel department costs which a private company would have to pay.

The container service is charged indirectly for depreciation, but there is no provision for interest to cover funds borrowed to purchase trucks or containers. All these charges are paid by taxpayers elsewhere in the books. Other charges not included anywhere in the books are rent or interest on the valuable land and buildings used by the department. Another significant oversight is that the books do not reflect the lost potential taxes which a private company would have to pay.

According to a 1972 Vancouver Board of Administration report, the rates that the City sets for its container service are supposed to reflect *all* the above costs. Despite the bookkeeping lapses we have pointed out above, and despite the cost advantage in being non-profit, the container service still ran a 5% deficit in 1980 (down from 13% in 1979). The rates are obviously seriously understated if they are indeed set in the manner in which the City reports them to be set. No wonder that the private haulers who compete for apartment and business disposal service complain of unfair under-bidding by a city service subsidized by taxpayers.

In fact, the current method of rate setting appears to reflect an entrepreneurship that would only have been learned from running a child's lemonade stand. "I made 10¢ a glass!" the child proudly declares. What about cups and lemonade? "Oh, Mom gives me them." What about the lemonade stand? "Well, Dad built that. It's all free."

It has proven extremely difficult to conduct the research that has led to these findings. We conclude that either the City's sanitation department has made it a policy not to determine the cost effectiveness of its program, or it has determined not to let the public know the findings of its studies. Accountability is nowhere in evidence.

What are the alternatives?

It is time that Vancouver seriously

investigated the feasibility of providing for refuse collection by more accountable means. Such means are commonly used throughout North America and fall into one of three categories:

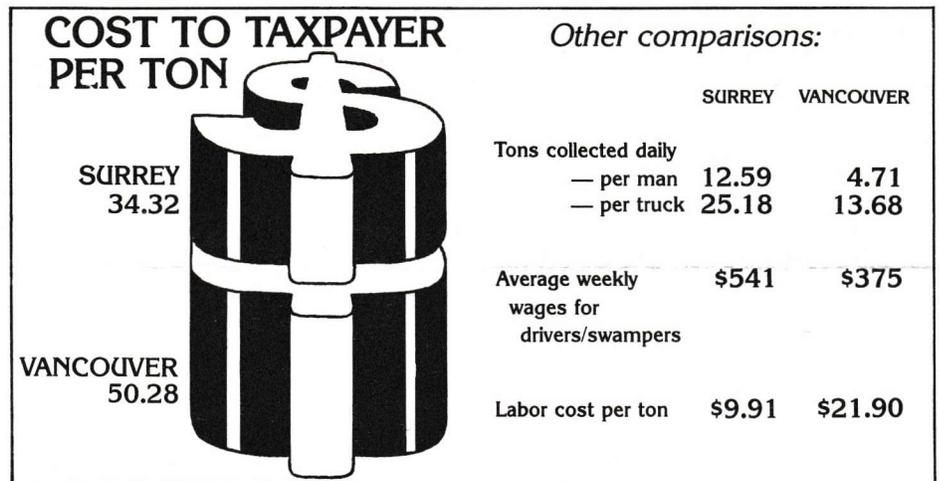
1. A single firm is hired and paid by the city (Contract Collection). This method is currently being used in both Surrey and Delta. Neither city suffered from the recent C.U.P.E. strike. St. Catherines, Ontario has had its wastes collected by private enterprise for almost 19 years using the same method.

Contracting out instantly solves the problem of accountability. It is essential for the survival of a private company to maintain complete and accurate records. Good service is ensured partly by the contract (which usually includes a performance bond), and partly by the desire to maintain a

company and customer, giving the company immediate feedback — a factor which again improves accountability. This system also could be easily implemented in Vancouver, simply by franchising out the existing truck routes.

3. Private firms compete, without government involvement (Private Collection). Sometimes the municipality imposes minimal licensing regulations. Even this most radical of methods is being tried. Wichita, Kansas went to a totally laissez-faire system in March of 1979 after the city leaders decided that the municipality could no longer effectively collect garbage. Closer to home, the municipality of Langley uses this method.

As always, this kind of free market approach has the advantage of offering the customer maximum



competitive edge over anyone else who might enter the bidding when the contract period is over. Vancouver has at least two companies that would be keenly interested in taking over collection under such a system.

2. Several private firms are assigned to exclusive sections of the city, and are paid by their customers (Franchise Collection). Montreal uses this method extensively, dividing its city into 198 districts and contracting out 180 of them to private firms. Some of these firms are single-truck outfits servicing a single district. St. Paul-Minneapolis, Minnesota also uses this method.

The advantage here is that more companies are entering the market, providing more choice for the city in the assigning of contracts. There are also benefits to be gained from the direct billing contact between

freedom of choice. He is able to seek out (or be sought out by) the company that offers him a service closest to the one he desires. Thus, one customer may choose twice a week back-door pickup while his next-door neighbour has someone come in twice a year to pick up the few items he is unable to dispose of in his fireplace, on the compost heap or at the bottle depot.

Lack of choice and lack of accountability always go hand in hand. Every government service is plagued by these characteristics. Every taxpayer subsequently is plagued with paying for the deficit incurred. For it seems that government-run ventures are also plagued with a third characteristic — lack of success. Let us restore accountability to our garbage collection system and proceed from there. 

HALT ACROSS CANADA

HALT Vancouver

Concerted preparation and planning for May's public meeting gleaned appreciable results. Attendance was twice April's figure; half a dozen newcomers committed themselves and their talents to working actively in the community or with HALT head office; at least three radio stations covered the event, broadcasting news interviews with Rick Bolstler the following day.

As a direct result of HALT's intervention, a motion has been made to Vancouver City Council calling for the examination of evidence for and against the privatization of garbage collection. HALT economist Paul Geddes is researching and drafting a presentation to be made June 16. HALT is actively encouraging other interested parties, such as private companies and their unions, to do the same.

HALT Halifax

David Morgan is continuing to address specific topical issues in his

area. With Census Day fast approaching, he mailed out material about HALT Vice-President Walter Boytinck's successful census resistance. Boytinck not only refused to complete the 1976 census form, but subsequently won a firm victory in B.C. provincial courts; he was acquitted on a technicality which rendered the entire 1976 census illegal. The article was used for a quarter-page analysis on Halifax's Chronicle-Herald editorial page.

HALT Calgary

In mid-May, HALT's infant Alberta regional office was forced to close its doors. Insufficient funding had prevented hiring adequate staff. Mike Little and Bill Buckler have rejoined Vancouver operations. Their effective participation as salesmen will ensure the re-opening of the Alberta office soon — target date is fall of this year.

The Calgary chapter continues its HALT-A-BLOCK campaign under the leadership of long-time member Norm Lalonde. Norm can be reached at 244-2367. 

Events

Public meetings will be held monthly in cities where there is an active HALT chapter. At that time, a competent spokesman will discuss HALT objectives and methods, its projects and progress. Everyone is welcome. A question and answer period will be part of the meeting format.

Edmonton: the last Monday of each month, 8:00 p.m. at the Edmonton Inn, 11830 Kingsway Avenue. Phone Bruce Vaughan at 462-0698 for further information.

Vancouver: the last Monday of each month, 7:30 p.m. at The Scottish Auditorium, 1605 West 12th Avenue. If you have any questions, phone 688-2308.

Copper Courses (1 hour training sessions for block reps) are held regularly. Call the above numbers for scheduled times.

These meetings provide an ideal opportunity for supporters to introduce friends and associates to HALT's philosophy, as well as for keeping on top of current projects. Take advantage of your local chapter's monthly meetings!

REBELS

It is up to the individual taxpayer to draw his own battle lines, as attested by the following excerpt from Ontario taxpayer John Hayes' May 27th letter to the Mayor of Peterborough:

"At my last appearance before Council over the matter of granting funds to Artspace [privately owned gallery in Peterborough], I told the council members that if it gave even one cent of Peterborough taxpayers' money to Artspace I would stop paying business taxes to the City.

"Please note that I have now stopped paying this tax and that a trust fund has been set up for this money. Since Peterborough City Council has exhibited a growing tendency toward irresponsibility in the handling of tax revenue, this taxpayer is going to see to it that Council has a little less money to be irresponsible with. I am now going to adhere to the principle of 'No Taxation Without Permission!'"

In addition to his letter of protest,

HUMAN ACTION TO LIMIT TAXES
909 THURLOW STREET
VANCOUVER, B.C.
V6E 1W3

0139 MARCO DEN OUDEN 11 BC
1027 B ALDERSON AVE.
COQUITLAM BC
V3K 1V3

PRINTED MATTER

John Hayes also returned his unpaid business tax bill stamped "Permission Denied". Shackle-shucking is such sweet music. 

FEATURE (continued)

the domestic car-makers. Rather, we should remove some of the abuses that our domestic law-makers are heaping upon them.

The same prescription holds true for all the rest of America's essential, yet beleaguered, basic industries — steel, coal, oil, agriculture, and the

rest. Only a dramatic rollback in the level of federal intervention can allow US industry to regain the position of world supremacy it held before America's Welfare State experiment began.

And it goes without saying, that without a strong and competitive US basic industrial sector, regaining a stable US currency becomes excruciatingly difficult. 

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