

REFORMING FOR A **BETTER DEAL**

HOW TO ALIGN COST SAVINGS, SUSTAINABILITY, AND
STABILITY IN NYC'S COMMERCIAL WASTE SYSTEM



TRANSFORM
DON'T TRASH NYC

NYLPI
40 YEARS OF JUSTICE

ALIGN
ALLIANCE FOR GREATER NEW YORK

ACKNOWLEDGMENTS

This report and underlying research were produced by core members of the Transform Don't Trash NYC coalition, with Justin Wood of New York Lawyers for the Public Interest (NYLPI) and Jessica Quiason of ALIGN: The Alliance for a Greater New York (ALIGN) as lead researchers and authors.

ABOUT US

The Transform Don't Trash NYC coalition is dedicated to transforming New York City's commercial trash industry to reduce waste and pollution, foster clean and healthy communities for all New Yorkers, and create good jobs. Members include the New York City Environmental Justice Alliance (and its member organizations Brooklyn Movement Center, El Puente, the Morningside Heights/West Harlem Sanitation Coalition, Nos Quedamos, THE POINT Community Development Corporation, UPROSE, and Youth Ministries for Peace and Justice), ALIGN, the International Brotherhood of Teamsters Joint Council 16 & Locals 813, 831 and 210, the Natural Resources Defense Council, and NYLPI.

Introduction

As of July 19, New York City's businesses and private waste carters will have to follow a number of new recycling rules intended to boost the city's lagging commercial recycling rate, recently estimated to be only about 20%:

- All commercial establishments must now separate paper, metal, glass, and plastic containers from refuse. (Previous recycling regulations designated different sets of recyclable materials for food and non-food establishments.)¹
- A limited number of the city's largest waste-generating businesses (such as stadiums, hotels, and commercial kitchens) are now required to have their food put to beneficial use (such as composting or anaerobic digestion) rather than landfilled.
- Private carters are prohibited from commingling separated recyclable materials or compostable food waste in the same collection truck compartment as refuse.²

To approach city's greenhouse gas reduction targets, it will be necessary to massively expand waste reduction and recycling practices in the city's 200,000 businesses. However, given the lack of transparency and inefficiency endemic to the city's private waste industry, simply imposing new recycling requirements in the absence of more fundamental reform may have the unintended consequences of creating unpredictable price increases for businesses and increased truck traffic on local streets.

The Transform Don't Trash NYC coalition believes that as the city expands and enforces its recycling regime, it must also create efficiency, price transparency, and substantial cost savings for high-diversion businesses — none of which can be achieved by the current, disorganized commercial waste system. Dozens of diverse cities have successfully adopted variations of a system in which private carters agree to charge low, equitable prices for recycling, compost, and garbage services in exchange for the right to serve a stable customer base in a designated commercial district.

There is strong evidence by utilizing a competitive, open RFP to select a single commercial waste hauler for each district or zone, cities can harness both efficiency and competition to achieve the lowest, most stable possible prices while boosting diversion rates far above NYC's current levels.


Below are six evidence-based recommendations for how we can ensure that pro-recycling policies are also pro-business.

Recommendation 1:

Businesses must be able to right-size their waste and recycling services to save money.

Under our current system, it is difficult for NYC businesses to gauge whether they are paying for the right level and mix of garbage and recycling services. An overwhelming majority are charged a flat monthly fee by haulers. In a recent sample of 72 waste invoices issued to small business owners, fewer than half include any mention of recycling services or discounts, even for frequently recycled materials like cardboard. Of 400 business owners surveyed in 2014-2015, 95% said they were not aware of any discounts for properly separating and recycling their waste.³

A typical NYC waste invoice offers little information on quantity of waste generated or recycled.



INVOICE

73-10 Edsall Ave.
Glendale, NY 11385-8220
Phone: 718-821-9706
Fax: 718-456-4840

BILL TO:

BROOKLYN NY

INVOICE NUMBER	INVOICE DATE
CUSTOMER NUMBER	08/01/15
INVOICE TOTAL	AMOUNT ENCLOSED
TO VIEW AND PAY ONLINE GO TO: http://mrtcarting.mtrvr.com	
USE FHR ENROLLMENT TOKEN: BOX QLSR04	

The current bill address on your account is
If incorrect or blank, please provide the correct email address below

PLEASE REMIT PAYMENT TO:
Mr. T Carting Corp.
73-10 Edsall Ave.
Glendale, NY 11385-8220

PLEASE RETURN THIS PORTION WITH YOUR REMITTANCE

INVOICE NUMBER	INVOICE DATE	CUSTOMER NUMBER	TERMS	DUE DATE	Visit our website www.mrtcarting.com All rates determined by estimate
	08/01/15		NET 30 DAYS	08/31/15	

DESCRIPTION	QUANTITY	PRICE	AMOUNT
YARDS LOOSE GARBAGE		13.42	


When you began service with Mr. T you were provided with a Business Integrity Commission sticker that displays your date of service. The sticker should be conspicuously posted in your entrance. If you do not have a sticker at the entrance of your establishment, please contact us immediately so that we can address this.

WE WILL NOT BE RESPONSIBLE FOR SUMMONSES FOR LACK OF SAID STICKER IF YOU HAVE NOT NOTIFIED US PRIOR TO RECEIVING SAID SUMMONS.

The maximum rate that may be charged by your trade waste removal business is regulated by the New York City Business Integrity Commission. The current rate in effect is \$12.00 per yard of garbage or 11.98 cents per pound. If you should have any questions or a complaint concerning waste removal, contact the New York City Business Integrity Commission.

1. "Loose garbage" charge doesn't specify any recycling services, or provide clear incentives for customers to recycle.

2. Price is difficult for customers to verify, and invoices are not adjusted to reflect the actual number of bags or bins of garbage set out each month. Since 2014, only 4% of customers have received a waste survey from their hauler.



AUGUST 2015 SERVICE
Our goal is to make it easy for you to manage the invoices you receive from us and help save the environment. For the ultimate in convenience, try our Invoice Gateway site. You will be notified by email when new invoices are posted. You can view, print, and download our invoices online. Save time and money by going paperless. Go Green!
Visit <http://mrtcarting.billtrust.com> to enroll!

	NET INVOICE:	
	SALES TAX:	
	INVOICE TOTAL:	

CURRENT	30 DAYS	60 DAYS	90 DAYS	120+ DAYS	Total Due
		0.00	0.00	0.00	

ACCOUNTS THAT ARE NOT CURRENT ARE SUBJECT TO SERVICE SUSPENSION. Accounts on service suspension will be charged \$25.00+tax to resume service. Fee for a returned check is \$40.00+tax. For any check that is re-deposited and returned for a second time, the fee will be \$75.00+tax. ACH return fee is \$10.00+tax.

1.5% INTEREST ADDED ON ALL BALANCES OVER 30 DAYS
ANY DISPUTES REGARDING THE ABOVE CHARGES MUST BE ADDRESSED WITHIN 30 DAYS.
THIS INCLUDES REQUESTS FOR COPIES OF TICKETS. AFTER 30 DAYS ALL CHARGES ARE FINAL.

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In contrast, other cities can offer customers menu of customizable waste and recycling services at uniform, predictable prices, which usually include substantial discounts for recycling and/or composting services. Businesses can easily select the right level of service for their needs, and can easily adjust services to ensure that they are not overpaying for waste collection.

Sample rate sheet from an exclusive hauler commercial waste system

Boise, ID Garbage Bin Prices

Carts

Regular Service (Includes Service, Rent, and Franchise fees and Sales Tax)

Quantity	1x/Week	2x/Week	3x/Week	4x/Week	5x/Week	6x/Week
1	37.04	69.00	100.96	132.93	164.88	196.84
2	38.16	70.13	102.08	134.05	166.00	197.96
3	39.25	71.25	103.20	135.17	167.12	199.09
4	40.41	72.376	104.32	136.29	168.25	200.21

Carryout Service

Quantity	1x/Week	2x/Week	3x/Week	4x/Week	5x/Week	6x/Week
1	55.92	104.75	--	--	--	--
2	57.01	105.83	--	--	--	--
3	59.17	108.00	--	--	--	--
4	61.35	110.17	--	--	--	--

Dumpsters

Regular Service

Size	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week	1x/month	2x/month
3 yard	73.88	120.83	169.94	219.02	268.13	317.23	39.91	56.01
4 yard	83.24	145.91	208.58	271.23	333.93	396.58	Not available	Not available
6 yard	113.64	196.71	279.78	362.89	445.96	529.03	71.46	85.93
8 yard	134.87	239.81	344.74	449.68	554.636	659.56	91.15	103.28

Temporary Service

Size	Construction & Demolition Waste	Daily Rent	Tax on Rent
3 yard	103.27	0.47	6%
4 yard	Notavailable	0.66	6%
6 yard	156.10	0.93	6%
8 yard	191.32	1.17	6%

Customers can “right size” their garbage service to meet their needs. Prices are transparent and predictable.

Boise, ID Recycling Bin Prices:

Carts (max. 5 carts)

Available in 95-gallon size only	Fee per Month
1 cart – 1x week	FREE
2 carts – 1x week	\$ 8.71
3 carts – 1x week	\$ 17.43
4 carts – 1x week	\$ 26.12
5 carts – 1x week	\$ 34.82
Additional Collections Charge for each additional collection as requested by the customer	\$ 9.88

Green Containers

3 yard	Fee per Month
1x per week	\$ 48.22
2x per week	\$ 81.96
3x per week	\$115.69
4x per week	\$149.44
5x per week	\$183.15
Additional Collections Charge for each additional collection as requested by the customer	\$ 16.44
6 yard	Fee per Month
1x per week	\$ 72.93
2x per week	\$124.69
3x per week	\$176.46
4x per week	\$228.25
5x per week	\$268.03
Additional Collections Charge for each additional collection as requested by the customer	\$ 27.36
8 yard	Fee per Month
1x per week	\$ 83.45
2x per week	\$145.46
3x per week	\$207.49
4x per week	\$267.79
5x per week	\$333.31
Additional Collections Charge for each additional collection as requested by the customer	\$ 36.44

Recycling services are steeply discounted to maximize diversion.

Recommendation 2:

The existing rate cap needs improvement to be meaningful to business.

New York City is unique among large cities in using a “rate cap” to set a maximum price that private waste haulers can charge for waste removal. Under current law, this cap can be adjusted every two years to account for changes in fuel costs, labor costs, and disposal costs incurred by haulers. While this price ceiling offers customers protection against gross overcharges and price-fixing, it is difficult to enforce, and does not aid customers in reducing or recycling waste:

The commercial system operates inefficiently, and unnecessary costs continue to be passed along to businesses.

The rate cap does not create sufficient transparency for customers. NYC private haulers do not publish their prices, and it is difficult for customers to compare actual prices.⁴

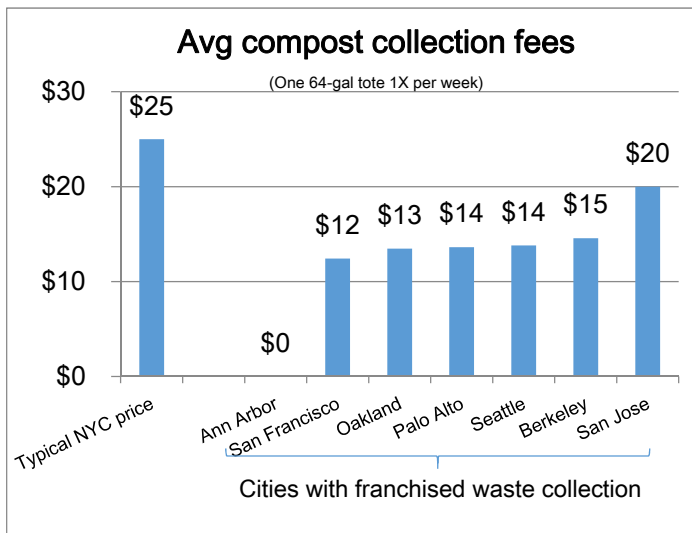
Customers do not receive detailed waste surveys or audits from their haulers, and cannot reliably ascertain real prices from their monthly bills. **2015 data reported to the Business Integrity Commission shows that only 4% of customers had received a waste survey within the last three years.**⁵ Over 70% of customers are unaware that the rate cap even exists.⁶ The rate cap has increased by 55% in the past decade, from a 2007 price of \$12.20 per yard to a current price of \$18.87.

While leaving the rate cap in place, the city can use competitive RFPs to negotiate a comprehensive menu of waste and recycling services and prices for each commercial zone. This approach will offer savings, stability, customizable recycling options, and enforceable customer service standards to diverse businesses in each NYC commercial district.

Recommendation 3:

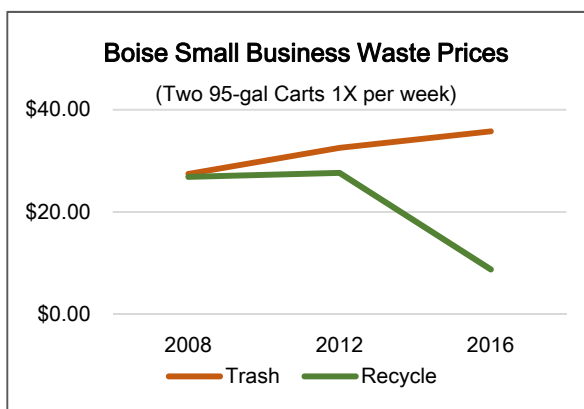
Pricing for recycling and composting services should be set to ensure that small businesses benefit from participation in diversion programs.

NYC's small businesses are a pillar of the economy, and boosting city-wide diversion will be impossible without the participation of these almost 200,000 independent waste generators. For small establishments concerned with escalating commercial rents and other fixed costs, prices in the current waste system are unlikely to offer sufficient rewards to influence composting and recycling behavior — a problem which some private carters have publicly acknowledged.⁷



For example, in NYC's open system, commercial compost collection costs substantially more than in other cities — including cities with relatively high overall waste costs.

In contrast, cities using a competitive process to select a commercial hauler are able to negotiate transparent rates that are designed to ensure that small businesses can participate in recycling programs at minimal cost, and realize savings on their garbage bills.



For example, Boise, Idaho recently renegotiated its franchise agreement with a single commercial hauler and was able to combine a modest increase in garbage prices with a significantly reduced recycling price to boost recycling by small businesses.

Other cities use a mix of negotiated private hauler agreements and public services to ensure that small businesses can recycle at minimal or no cost.

Diversion Discounts (from base garbage rate)

Recycling



Compost



* Philadelphia and Somerville offer free recycling for small businesses as part of municipal waste services for businesses. The other cities use a franchised hauler for recycling services.

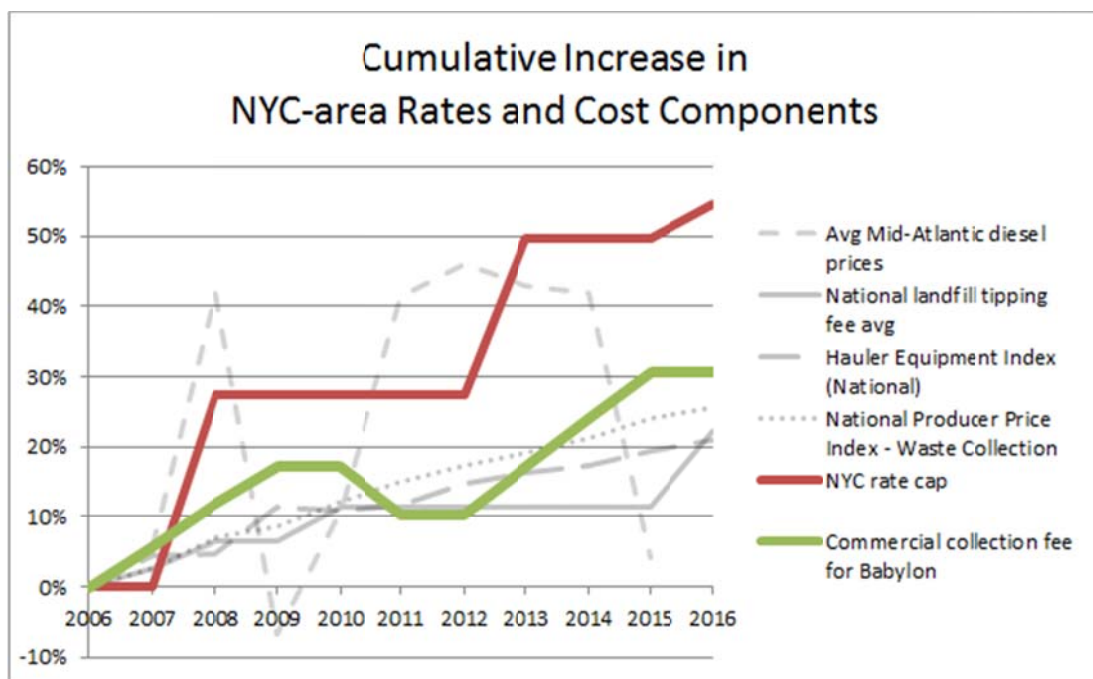
Recommendation 4:

System-wide reform should create stable prices for customers.

There is no accepted methodology to compare comprehensive commercial waste prices across cities, because the various services, costs, and incentives included in rates vary widely from jurisdiction to jurisdiction.⁸ For example, many cities structure prices to offer free or low-cost recycling collection to businesses while charging more for landfilled garbage. Commercial waste rates may also include services such as supplemental street cleaning and collection of public waste baskets in business districts, which in NYC are often paid for by Business Improvement Districts (BIDs) taxes as well as public sanitation budgets.

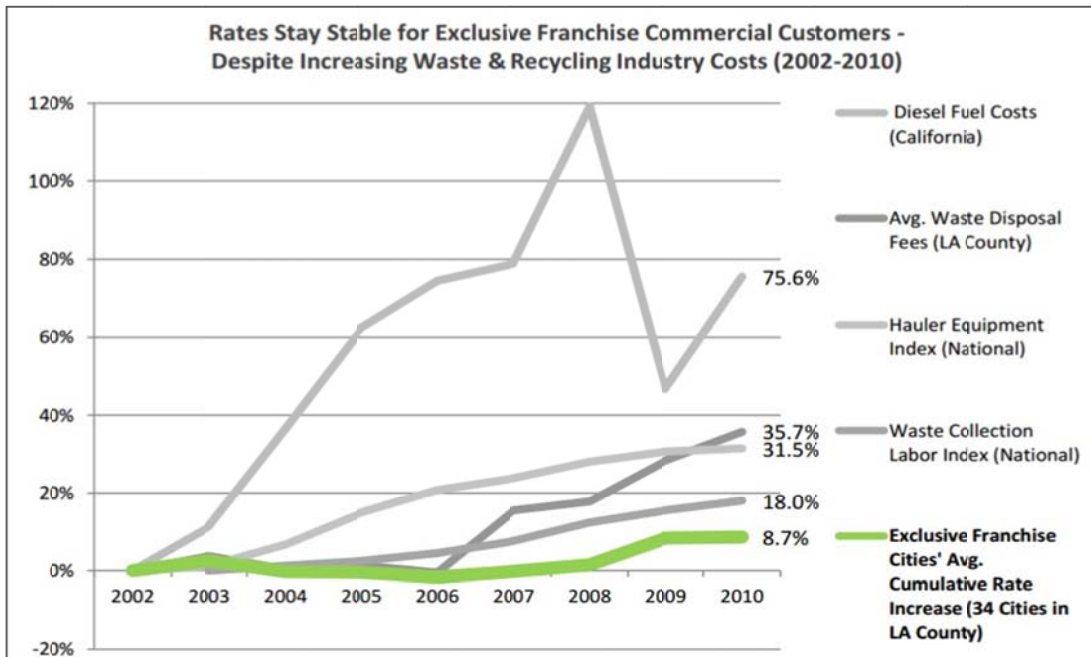
However, we can effectively compare the *stability* of commercial waste prices over time in those cities that require haulers to rates. Comparisons of waste rates over time in different regions provide strong evidence that cities using competitive, open RFPs to select a single commercial waste hauler for each district or zone, can harness both efficiency and competition to achieve the lowest, most stable possible prices.

Over the past decade, the rate cap set for haulers by the Business Integrity Commission has increased faster rate than inflation in labor, fuel, equipment, and landfill fees. While the existence of the rate cap has probably prevented waste haulers from imposing even larger price increases on their customers, other cities with more efficient systems and more rigorous mechanisms rate setting have achieved better price stability than NYC.

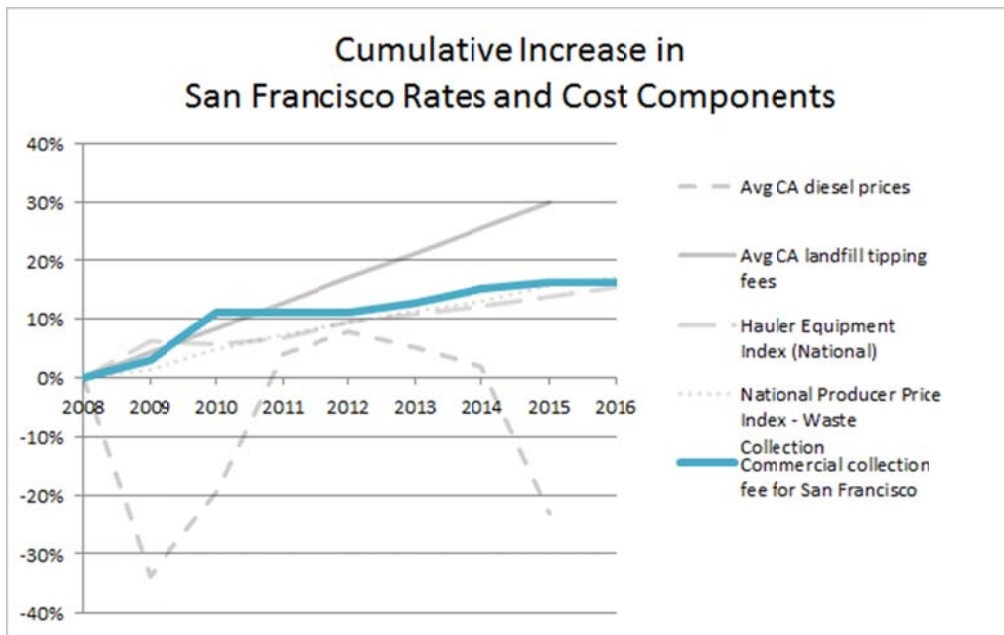


Locally, the town of Babylon, NY has used a single exclusive hauler to collect both commercial and residential garbage since the 1990s. Increases in Babylon's per-ton rates have closely tracked cost components, resulting in lower cumulative price increases for customers over the past decade.

Similarly, a study of commercial waste rates in 34 Los Angeles County communities found that prices in cities with exclusive hauler franchises were far more stable than the key cost drivers of commercial waste collections between 2002 to 2010.⁹



Although San Francisco does not use a competitive bid or RFP system to select a commercial waste hauler, increases in prices charged by the city's exclusive commercial and residential waste company (Recology) have closely tracked cost increases even as the city has achieved one of the highest diversion rates in the nation.



Recommendation 5:

NYC should use competitive RFPs to achieve the lowest possible prices and ongoing price stability for customers.

There is no evidence that exclusive, single-hauler commercial waste systems contribute to price increases or monopolies, since these systems offer operational efficiencies, often use competitive RFPs to select haulers, and employ rate-setting or cost adjustment mechanisms to limit price increases.

Nationally recognized consultant HF&H compared the cost per ton to collect and process waste in 40 Southern California cities and found that costs were no higher in cities with exclusive-hauler commercial waste arrangements than in those with non-exclusive (i.e., multiple hauler) arrangements. Notably, average cost per ton in exclusive hauler cities was lower than in Los Angeles' open-market system in which many permitted haulers competed on the open market.¹⁰

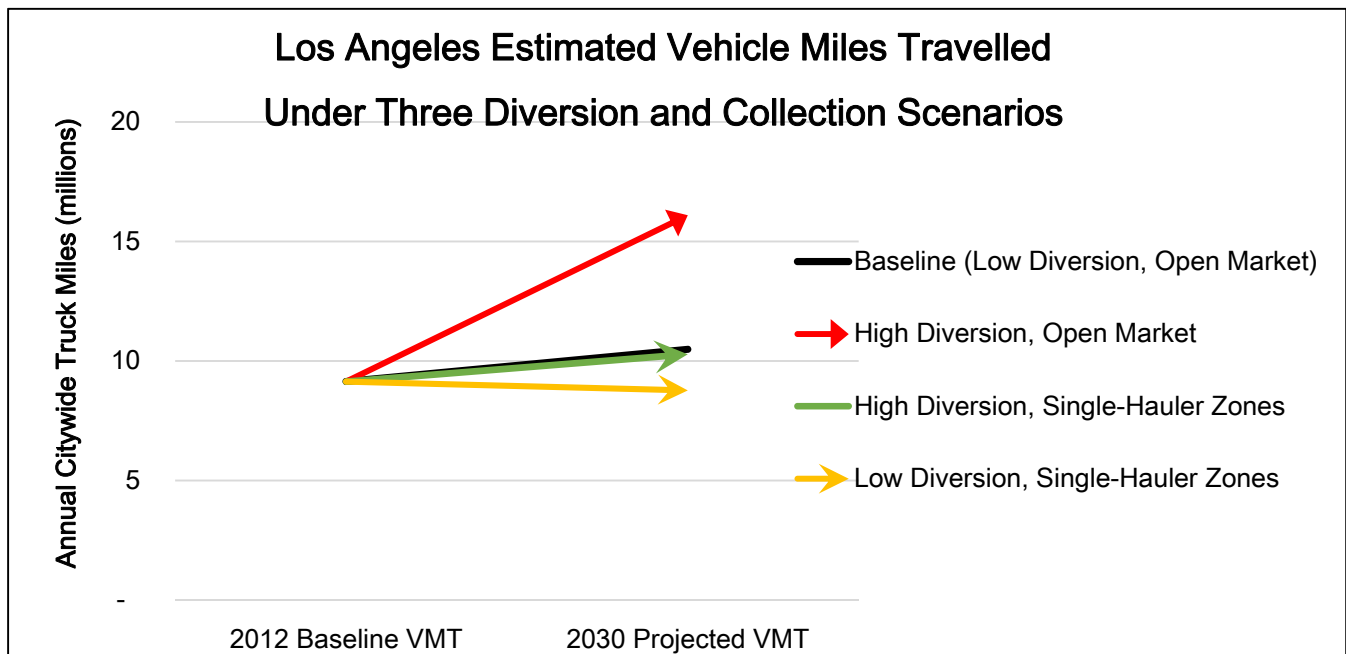
In a separate study, HF&H compared 24 California cities in 2008 and found that 21 of 24 (88%) achieved a price reduction when they used a competitive RFP to negotiate prices with haulers, when compared to cities that renegotiated agreements with incumbent haulers.

Recommendation 6:

Diversion and efficiency must go hand in hand.

Single-hauler collection zones are critical to achieving high diversion rates in the most efficient, lowest cost way. Unless we address the gross inefficiency of commercial waste truck routes operated by dozens of competing carters, new city recycling rules requiring the source-separation and separate collection of both “dry” recyclables (metal, paper, plastics, and glass) and compostable food waste may have an unintended consequence of increasing traffic *and* collection costs.

Alternatively, a commercial waste system in which haulers compete for the right to serve rational commercial districts would facilitate separate collection of recyclables, compostable organic waste, and garbage without adding to citywide vehicle miles travelled by collection trucks. For example, the city of Los Angeles found that an exclusive zoned system could slightly result in a net reduction VMTs while achieving high diversion rates via a 3-bin collection system. In contrast, to achieve high diversion under the status-quo open market collection system would add about 5 million truck miles to city streets annually:¹¹



Endnotes

¹DSNY, Notice of Adoption of Final Rule:

<http://www1.nyc.gov/assets/dsny/docs/DSNY%20NOTICE%20OF%20ADOPTION%20COMMERCIAL%20RECYCLING%20RULES%202.5.16.pdf>

²NYC Business Integrity Commission, Notice of Proposed Rule:

http://www.nyc.gov/html/bic/downloads/pdf/regulations/proposed_bic_rules_re_commercial_recycling_and_collection_organic_waste-final.pdf

³ Transform Don't Trash NYC, "Not At Your Service," 2015, p. 8. Available at: <http://transformdonttrashnyc.org/wp-content/uploads/2015/10/TDT-Small-Business-Report-FINAL20151021-compressed.pdf>

⁴ Price Waterhouse Coopers, LLP. Unpublished Study of Price Regulation of New York City Commercial Waste Hauling for New York City Economic Development Corporation. September 26, 2014, p. 51

⁵ Transform Don't Trash NYC Analysis of 2015 BIC Customer Register, obtained via FOIL request.

⁶ Price Waterhouse Coopers, p. 53.

⁷ Bobrow, Emily: "Bill de Blasio thinks the city can stop dumping its garbage by 2030. Is he dreaming?" *Crain's* July 10, 2016. Available at:

<http://www.crainsnewyork.com/article/20160710/POLITICS/160709912/bill-de-blasio-thinks-the-city-can-stop-dumping-its-garbage-by-2030>

⁸ City of Los Angeles/HF&H Consultants, "Commercial Solid Waste Cost and Fee Analysis," August 24, 2012, p. 5

⁹ Los Angeles Alliance for a New Economy, "Stabilizing Customer Rates in Exclusive Franchise Waste and Recycling Systems," available at:

http://www.laane.org/wp-content/uploads/2012/09/DWLA-Whitepaper_Stabilizing-Customer-Rates-in-Exclusive-Franchise-Systems.pdf

¹⁰ City of LA/HF&H, p. 12.

¹¹ Los Angeles Bureau of Sanitation, "Draft Environmental Impact Statement, City-Wide Exclusive Franchise System for Municipal Solid Waste Collection and Handling," November 21, 2013. Table 3.1.4-4, p. 3-68