Too Much Garbage in Gotham: Is Now the Time for Reform on New York City’s Garbage Policies?

Who should be paying for New York City’s trash? It’s a $1.5 billion annual cost for the city government, and—unlike most of the largest cities around the U.S. and the world—no garbage user fees are levied. Should citizens and businesses be called upon to pay for the trash they create?

Perhaps you saw Michele Nestor’s March 5th column on Waste360 entitled, “Extended Producer Responsibility—Three Little Words That Make A Big Difference.” In it, she discusses the role of the producer in bringing about systemic waste-management improvements. She also references a recent study by the Citizens Budget Commission of New York (CBC) that looks at the trash problem from the residential perspective. We’ll dig into the study here and see what takeaways and insights it can offer.
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—Citizens Budget Commission of NY

PART ONE:

NYC’s waste management—an ongoing dialogue

In a city of more than 8 million people, there is a lot of solid waste to manage (no matter how environmentally-conscious its population). So it is always worthwhile to examine how the present system is working and see if there is room for improvement.

In February 2015, the CBC released the fourth in a series of reports on NYC’s municipal solid waste management, “A Better Way to Pay for Solid Waste Management.” The CBC is a nonprofit, nonpartisan organization that devotes itself to influencing constructive change in the New York State and New York City governments; toward this end, it regularly conducts research on financial and management practices.

The CBC report calls attention to the following state-of-affairs in NYC:

- New York City spends $1.5 billion annually, or about $500 per household, to pick up residential and public trash

- On a per-ton basis, garbage collection costs at the City’s Department of Sanitation are more than double that of NYC private waste carters

- The City’s garbage-collection costs are also significantly higher than costs at other public agencies in U.S. cities

- NYC’s garbage-collection revenues only meet 0.9% of its expenses; in most other cities, the revenue-expense equation is much more balanced

- NYC currently funds its trash-related expenses through general city revenues; because of this, residents are hardly aware of the astronomical costs and are not incentivized to reduce solid waste
The threat of illegal dumping is a serious concern in a densely packed city, but one that can be combated with extensive education, vigilant enforcement, and high penalties.

—Citizens Budget Commission of NY
To increase the public’s awareness of the cost of their garbage, and to bolster support for a redesign of waste policies, New York City should implement a volume-based garbage user fee that is revenue neutral.

—Citizens Budget Commission of NY

What can or should be done in NYC?

It is obvious that NYC’s current state-of-affairs is not ideal from a fiscal standpoint. And it is suboptimal from an environmental standpoint as well, with a heavy reliance on landfills in far-away states. On a positive front, the City has pledged to increase residential waste diversion from 15 to 30% by 2020 and to reduce greenhouse gas emissions 80% by 2050. But the current system is ill equipped to get NYC to its goals.

The CBC report offers some ideas and recommendations, summarized here:

- New York City should implement a volume-based garbage user fee that is revenue neutral, which would be fair and would foster:
  - service cost visibility, providing New Yorkers a greater economic incentive to limit garbage production and sort recyclables
  - waste reduction and diversion
  - independent access to capital

- Pilot programs might also test the use of a larger fee that accrued to an enterprise fund or a new public authority (to create a new financing tool for developing facilities to process non-recyclable waste locally)

As noted above, waste diversion would be a great benefit of a variable-fee program. The CBC looked at a study of U.S. municipalities that utilize such a program and found that average refuse levels fell 17% after implementation. Among large U.S. cities, San Francisco, San Jose, and Seattle have the highest residential diversion rates—and they all use a monthly variable fee structure for solid waste.
Figure 1: Residential Diversion Rates in Selected Large and Dense U.S. Cities, 2013

- Seattle: 60%
- San Jose: 60%
- San Francisco: 55%
- Los Angeles: 44%
- San Antonio: 27%
- New York City: 27%
- Houston: 26%
- Boston: 23%
- San Diego: 23%
- Phoenix: 22%
- Dallas: 20%
- Philadelphia: 19%
- Baltimore: 18%
- Washington D.C.: 10%
- Chicago: 6%

Notes: Cities with variable monthly garbage fees are shaded dark blue. Diversion rates for New York City, San Francisco, and Baltimore are based on fiscal year 2012 data. New York City’s reported diversion rate includes certain construction materials, such as fill, reused by the City. In fiscal year 2013 the City’s curbside and containerized diversion rate was 15 percent.

Challenges

The benefits of variable garbage fees are significant, but such a policy doesn't come without its challenges. The CBC notes that the hurdles and challenges for NYC would include:

- illegal dumping
- multiunit housing
- perception of a new tax
- low-income households

But, it offers strategies for combating each one—from education and fines, to government-sanctioned bag programs and rebates/discounts.

The time is right for a redesign of NYC’s solid waste management

The CBC report concludes that direct user fees for garbage are the best (and a necessary) funding alternative to New York City's current tax-based system. The Commission acknowledges that such a shift, despite its merits, would not be simple—but it feels confident that NYC is up to the challenge. In the words of the CBC, “New York City can do better with its garbage policies, and that begins with how residents pay for disposal.”

Waste-management industry players around the country are following this story closely to see how it will unfold, and Waste360 will continue to report on any related developments or proposals.
The proposition raised in a growing amount of circles is that the manufacturers, importers, distributors and retailers, aka the producers of these consumer goods, should be the ones responsible for funding the overall collection and processing system.

PART TWO:
Extended Producer Responsibility—Three Little Words That Make A Big Difference

By Michele Nestor

If you follow economic trends in the solid waste industry, as well as related public policy, you know that New York City’s waste management decisions have affected the bottom lines of a number of industry players, prompted defensive legislation in surrounding states and presented challenges to more than one well-meaning politician.

In February, the Citizens Budget Commission of New York (CBC) released the fourth in its recent series of reports, which focus on the staggering $1.5 billion annual sanitation budget and far-reaching impact of New York City’s current solid waste management system. The CBC is a nonprofit watchdog group that studies the financial and management practices of New York City and the state of New York.

Collectively, the CBC reports are a good read on many levels. The latest release, A Better Way to Pay for Solid Waste Management, points out the dangers of financing the ever-growing cost of waste management covered in its entirety by general city tax revenues. It also offers a glimpse of the costs for similar services in other major cities, and compares their use of direct user fees as a funding alternative to New York City’s tax-based system.
According to CBC, the city’s Department of Sanitation’s operating expenses are twice the rate of private sector service providers in the same area.

The CBC reports come at a time when mounting scrutiny of the core components of the municipal waste stream has surfaced (specifically on packaging waste and printed paper). The concern is the direct correlation between these items and the costs realized by consumers and municipal governments who currently manage discarded materials. The proposition raised in a growing amount of circles is that the manufacturers, importers, distributors and retailers, aka the producers of these consumer goods, should be the ones responsible for funding the overall collection and processing system.

Extended Producer Responsibility (EPR) is not new. A number of states, Canadian provinces and the European Union have EPR laws. Current legislation commonly targets products, i.e. mattresses, appliance, electronics, paint, etc. Broader implementation of EPR that could include packaging and paper is a growing concern for U.S. producers, who could be subjected to such legislation.

Although not its intent, the CBC reports illustrate why there is pushback. According to CBC, the city’s Department of Sanitation’s operating expenses are twice the rate of private sector service providers in the same area. For comparison, a number of cities are offered as good examples. Even in all but a few of those scenarios, operating costs significantly exceeded revenues, unless franchise fees and business taxes subsidized the program. Not hardly what you want to hear if you’re a producer who, through EPR legislation, could be asked to foot that bill.

Producers are used to controlling internal, upstream and downstream factors that influence their ability to deliver a profitable product. In typical EPR programs, producers are held accountable for the cost of recovery, yet are granted little influence on the mechanisms, processes and overhead in that system. Inconsistencies, inefficiencies, lack of productivity and performance are inherent in a patchwork infrastructure like ours. It is understandable why producers fear being asked to write a blank check to perpetuate what would be considered a logistical and quality control nightmare in their own businesses.
Where does consumer choice end and producer responsibility kick in? That is a chicken vs. egg question if there ever was one. This much we do know. Whether the cost for the management of goods once they stop being useful to the consumer is a separate fee paid at the time of purchase, bundled into the price of the product or a fee charged for collection, the consumer pays.

Ironically, we have come full circle. To compensate for the transition from local bottling and returnable containers to a centralized distribution system, those most fearful of legislated responsibility for the curbside recycling system as we know it, quite frankly were its strongest advocates. Corporate monies were thrown into grants that supported purchase of primarily recycling bins and infrastructure expenditures. (Sound familiar?) Thus, the costs of managing the reverse logistics of empty bottles and cans was shifted from the producers to local municipal governments. Is it time for local governments to pass that torch back to its source?

An interesting proposal was made by Nestle’ Waters of North America (NWNA) a few years back, which suggested that producers unite across brand and product lines to develop and control the recovery system in its entirety. Other than similar sentiments raised by Coca-Cola, it fell flat. In spite of the benefits that could be derived from more direct input, the concept was stalled by competing interests.

The premise was that a newly formed producer responsibility organization (PRO) would force efficiencies in the recycling system and reduce costs by entering into contracts with waste haulers, recycling facilities and municipalities across the nation to collect and process recyclable packaging. The PRO would allocate the cost of recycling to the companies based not only on sales, but also on criteria such as the recyclability of the products.
I have to confess that when I first heard Michael Washburn, former vice president of sustainability for NWNA present this idea, I thought there must be something more in his plastic bottle than spring water. The more closely I examine my own clients’ growing costs of recycling collection, it becomes clearer to me that we must find a way to make the system more effective and sustainable. The current excess in disposal capacity and its subsequently cheap cost could easily become a strong contender once again as municipal officials are forced to make budgetary choices.

The Closed Loop Fund is reminiscent of the Nestle’ Waters concept to some degree, in that it has recruited a number of strange but well-heeled bedfellows to form a team. It falls short of Nestlé’s EPR concept however because it simply funds equipment and brick-and-mortar needs.

Granted, getting a break on equipment, which requires significant capital outlays, is nothing to dismiss. However, in systems where cost overruns exist, it’s the operational issues like labor, benefits, fuel, repairs and maintenance that are typically the true sources of the losses. The CBC reports are real eye openers in illustrating those facts.

When producers have a more direct responsibility for those operational costs, combined with the control to make systemwide improvements, including product design, everybody benefits, not just select locales.

Michele Nestor is the President of Nestor Resources Inc., based in the Greater Pittsburgh area, and chair of the board of directors, of the Pennsylvania Recycling Markets Center, Penn State, Harrisburg. She helps private and public sector organizations develop strategic plans to survive in a transitioning marketplace.

Get in on the discussion

Reforms, best practices, and new solutions in the area of solid waste and recycling are hot topics both in New York and around the entire U.S.—from the smallest towns to the largest cities.

Mark your calendar and bring your ideas, challenges, and insights to the Waste360 Recycling Summit happening in Chicago Sept. 9-11, 2015. This new event will feature a robust, interactive conference program along with an exhibit hall filled with top solution providers. It promises to set the standard for content and dialogue around the latest issues in the dynamic recycling market. We hope to see you there!

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