



**The City of New York
BUSINESS INTEGRITY COMMISSION**
100 Church Street · 20th Floor
New York · New York 10007

Daniel D. Brownell
Commissioner and Chair

**OPENING STATEMENT OF PATRICK Z. SCOTTI,
EXECUTIVE AGENCY COUNSEL AND MARKET MANAGER,
NEW YORK CITY BUSINESS INTEGRITY COMMISSION**

**Monday, April 9, 2018 at 2:00 p.m.
100 Church Street, 2nd Floor, Conference Room No. 2-160A, New York, NY 10007**

Good morning, and welcome to today's public hearing. Today is Monday, April 9, 2018, and we are in the 2nd floor conference room of 100 Church St. My name is Patrick Z. Scotti. I am Executive Agency Counsel and Market Manager of the New York City Business Integrity Commission. Thank you for attending today's hearing.

The Commission is conducting this hearing pursuant to the requirements set forth by the City Administrative Procedure Act, commonly referred to as "CAPA." The purpose of this hearing is to receive comments from the public on the Commission's proposed rules regarding the amendment of maximum rates allowed for collecting and disposing of trade waste. The Commission published the proposed rules in the *City Record* on March 6, 2018. We also disseminated a copy of the rules via e-mail to all New York City local elected officials, the managers of all 59 community boards, several media organizations in the City, and other interested parties. Lastly, we posted the proposed rules on both the Commission's and the NYC Rules' websites.

In summary, the Commission is proposing to amend Title 17 of the Rules of the City of New York to raise the maximum rates that private carters can charge for removal of trade waste

by 5.6 percent. This rate would apply to refuse, organic waste, paper, cardboard, metal, glass, and plastics.

As background for this hearing, the Commission is authorized to set by rule the maximum rates by weight and by volume that trade waste haulers can charge for the removal of putrescible and traditional recyclable commercial waste. The maximum rates were previously adjusted in 2016. The Commission must base any changes to the maximum rates on a fair and reasonable return to the private carters who provide trade waste removal services to commercial establishments in New York City while also protecting those using these services from excessive or unreasonable charges. To achieve this balance, the Commission established an administrative procedure that provides greater transparency, standardization, and regularity in the rate-setting process.

Pursuant to Commission rules, a hearing was held on October 18, 2017, relating to the maximum rates charged by a private carter for the collection, removal, disposal, or recycling of trade waste. The hearing was attended by representatives of the trade waste industry and other interested parties, some of whom testified at the hearing and submitted written testimony.

The Commission has carefully evaluated the evidence provided throughout the process, including the oral statements made at the October 2017 hearing and the written statements submitted both prior to and after the hearing. In accordance with Title 17 of the Rules of the City of New York, Section 5-02(g), the Commission has reviewed various relevant factors affecting the trade waste industry and its customers. Those factors include, but are not limited to, the Producer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, data contained in private carters' financial statements filed with the Commission, and certain data relating to increases in operating and capital costs provided to the Commission by members of the trade waste

industry. Based on its review, the Commission proposes to increase by 5.6% the current maximum rates that trade waste haulers can charge, from \$18.87 per cubic yard or \$12.38 per 100 pounds to \$19.93 per cubic yard and \$13.07 per 100 pounds. The Commission also has made some plain language revisions to the rule relating to rates in the trade waste industry.

That concludes the summary of the proposed rule changes at issue at this hearing. You may present an oral statement for the record or submit written comments concerning the proposed rule changes. Additionally, the Commission has been accepting written comments on the proposed rule since the publication in the *City Record* and will continue to do so through the close of business today.

The Commission will make available a copy of any written comments that are received in connection with today's hearing on its website. The Commission will carefully review and consider all comments and submissions and make changes, if the Commission deems them necessary. The rules will go into effect 30 days after they are published in the *City Record*.

We will begin calling those of you who wish to speak this morning in the order in which you have signed in. When you speak, please state your full name and affiliation, and speak slowly and clearly so that the court reporter can understand and accurately transcribe your statement. We ask that you limit your statement to five minutes. The Commission's Director of Policy Salvador Arrona will now begin calling up members of the public to testify.

Testimony
of the
NYC Chapter
National Waste and Recycling Association
on the
Amendment of Maximum Rates Allowed
For The Handling of Trade Waste
Proposed by the
New York City
Business Integrity Commission

Submitted to the
New York City Business Integrity Commission
Honorable Daniel D. Brownell
Commissioner/Chairman

By
Steve Changaris, NYC Chapter Director
800 679 6263
schangaris@wasterecycling.org
Monday, April 9, 2018

This written testimony is submitted in response to the BIC proposed rule entitled: Amendment of Maximum Rates Allowed To Be Charged for the Handling of Trade Waste, Reference Number 2018 RG 014. This proposal is found at: <http://www1.nyc.gov/assets/bic/downloads/pdf/notices/hearing-notice-proposed-amendment-maximum-rates-tw-4-9-18.pdf>

My name is Steve Changaris and I am the NYC chapter director for the National Waste and Recycling Association (NWRA). The chapter is part of the national trade association that represents America's private sector waste and recycling industry. We have an active chapter of member companies operating in the city. The hard working men and women of our chapter collect and manage the waste, recyclables and organics produced by the city's 200,000 plus commercial entities. It is a herculean task done, day-in, day-out, year round - in good weather and bad. We work - as Business Integrity Commission (BIC) licensees -- to provide excellent service to our customers; and, good paying, characteristically union jobs, for our employees; and, to collect and manage the city's waste, recyclables and organics as safely as possible; and, to be as good corporate citizens as possible in the neighborhoods and communities of the city we serve.

Over the years, consistently, and most recently in other written testimony submitted in the fall of 2017, we have called for the BIC to eliminate -- as opposed to adjust -- the rate cap for trade waste. The rate cap is an obsolete component of the BIC oversight process and after 20+ years of effective work by the commission it is unnecessary given the fitness and integrity of BIC licensees working in the city today. The city is the only locality in the country where a rate cap on commercial wastes and recyclables exist. This fitness and integrity, combined with the robust competition in the marketplace, has allowed many credible city authorities, including former leaders of this commission, to echo this call for the removal of the rate cap.

The rate cap artificially restrains the ability of carters to do many things, including: providing specialized waste and recycling services needed by many customers; introducing new equipment and programs; and, attracting the capital investments necessary to fund the best private recycling and waste service operations for the citizens and businesses of the city. We note again, as in previous testimony, that the continued existence of the rate cap makes it only that more difficult for carters to implement separate collection and processing of organics; to expand the collection and processing of commercial recycling; and to bring the most

environmentally friendly and safe trucks to the streets of the city as soon as practicable.

Before we make comments on the specific rate cap relief to be granted when this proposed amendment is approved, and to not be in conflict with our call for the entire removal of the rate cap regulatory tool, we want to restate our request that the BIC consider an additional or another kind of use of the rate cap regulatory tool. The current rate cap is only focused on the maximum rate carters can charge a customer. Today again, as in the past, even though we have already made our case for the rate cap to be eliminated since all NYC carters are properly licensed and fully vetted by BIC as having the fitness and integrity to conduct business fairly and competitively within its jurisdiction, we understand that the BIC simply may not be in a position to cause its removal yet. In the case BIC cannot remove the rate cap, we ask then that the design of the rate cap be re-worked to include a minimum rate below which waste, recyclables and organics cannot be collected and managed. We make this call for a minimum trade waste rate cap in an effort to make sure proper regulatory oversight is being paid to the real cost of doing waste, recycling and organics collection in the city. We believe given all that is going on in the world of waste and recycling in NYC today – in the legislative, regulatory and marketplace arenas – that

there are disparate factors, when combined that may well cause the improper below cost pricing of trade waste collection services. These factors may cause actual carting costs not to be covered and deprive BIC licensed businesses the very dollars needed -- for re-investment -- to be operationally sound companies to serve all NYC businesses tomorrow.

Now that we have re-stated our call for the removal of the rate cap, and have asked once again the BIC to consider establishing a new minimum rate cap below which service cannot be provided, we now will focus on the amendment. If the proposed amendment is left unchanged and adopted, the rate cap that went into effect in April 2016 -- \$18.87 per yard; and \$12.38 per pound will be adjusted upwards by 5.7% to \$ 19.93 and \$13.07 respectively. This increase is far less than what the industry testified for in the BICs October 2017 Biennial Hearing on the Rate Cap; and does not keep adequate pace with the challenges faced by our industry.

Accordingly, we still encourage and call for the BIC -- due to deteriorating business conditions and based on our educated look into the near-term future of industry trends and coming developments -- to grant the private carting industry further rate cap relief than what is

currently proposed in this amendment. We still seek relief that is more in line with 20% plus we requested in our October 2017 testimony.

The chapter submits the capital expenditure costs of private carters to buy new trucks compliant with city's new truck emission standards -- or any related required expense for the retro-fitting of existing trucks to comply, along with general increases of all carting business costs to implement the new harmonized city regulations for the provision of recycling and organics services, makes this 20% plus increase request reasonable. The likely coming trade war and new tariffs on imported steel and aluminum, not specifically known in October 2017 but now squarely before us, provide further justification for this kind of percentage rate cap relief.

Likewise, regarding the value of commodities we recover for recycling and diversion from disposal; we know more now than we did in October 2017 when we submitted our last testimony. Specifically back then we went on record expressing our great concerns with new Chinese recycling policies and restrictions. The impacts of these policies have only continued to roil and disrupt national and international recyclable commodities markets; depressing the value of the recyclable materials we are required to collect and divert from disposal much

more than we imagined or anticipated last fall. Many of these commodities like mixed paper, plastics 3-7 and glass now have negative value or simply no market for their reuse. What we are experiencing today is worse than what we feared in October 2017. And the continued roll-out and implementation of these Chinese recycling initiatives will surely cause further severe turmoil and disarray for the all of our recycling efforts for a period likely to extend years into the future. It is a very reasonable person's view that it will simply take that long, until other markets take hold and are able to absorb and use these commodities. Accordingly we urge the BIC to grant us as licensees the maximum upwards of 20% plus rate relief requested to deal with all these current and future adverse impacts of Chinese recycling policies and regulations.

Two last points for the BIC to consider, or further consider, regarding the maximum rates private waste and recycling carters are allowed to charge for trade waste in NYC. First, recently since the BIC biennial rate cap hearing last October, the industry has been subject to several new and not typically imposed directives that require a great deal of time and administrative action to gather and process information for BIC. These directives put upward pressure on our cost to operate a regulated trade waste business in the City. We understand more

directives are likely to be issued. Accordingly, we urge the BIC to model for these kinds of cost impacts on our businesses and to account for them in the pending rate cap amendment and future reviews of the maximum rates allowed to be charged for trade waste.

Second, we understand the complexities and requirements of the City's regulatory process. We realize, accordingly, it might be a more efficient use of the City's time and energy if the current proposed amendment to the maximum rate to be charged for trade waste goes through unchanged, as proposed, after the hearing today and after the BIC reviews written testimony on the proposed amendment. If that is the case, we strongly encourage the BIC to start a completely new internal review about how the new and evolving Chinese recyclables import restrictions have adversely impacted the private carting industry's recently harmonized metal, glass, plastic and paper recycling operations in the City. Further, we urge the BIC to explore and model the full economic impact of what is happening as 75% of these materials, i.e., metal, glass, plastic and paper, which are part of our NYC mandated recyclables basket, has a zero or negative value. We believe when the BIC completes this review it will issue a call for another amendment to the maximum rate we are allowed to charge for the handling of trade waste in the City. We anticipate that this might

well occur long before the next mandatory biennial rate review is required.

We hope the BIC will use this information and other resources it has and will further adjust upwards the new amended allowable rates for the collection of trade waste. Carters will use this relief to improve customer services, to continue to take excellent care of their employees, to run safe companies and to further the city's goals for the higher and best use of our after useful life discards and waste materials.

The chapter appreciates the opportunity to provide this testimony and looks forward to continuing its work with the BIC on this and other issues affecting carters in city.

The NYC chapter of the National Waste and Recycling Association is comprised of the city's private recycling and waste services companies. Chapter members are dedicated to the environmental and economically efficient handling of recyclables, discards and wastes.

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Additional Testimony
of
Waste Connections
On the
Biennial Review
of the
Business Integrity Commission
Rate Cap for Commercial Trade Waste

Submitted to the
New York City Business Integrity Commission
Honorable Daniel D. Brownell
Commissioner/Chairman

By
Andrew Moss, Government Affairs Manager
Monday, April 9th 2018



Good morning Commissioners, my name is Andrew Moss, Government Affairs manager of Waste Connections in New York City. Waste Connections is the only publically traded company collecting and transporting solid waste and recyclables in New York City.

At the October 18, 2017 hearing, I testified on the additional costs facing all responsible solid waste companies mainly due to the increased regulatory burden New York City haulers face. I have sent in an updated version of that testimony for the Commission's review as I believe it captures not only the regulatory cost increases but also the annual operating cost increases the industry encountered since the last rate adjustment.

The major issues I'd like to address at today's hearing concerns the City's mandate with respect to commercial recycling and emissions. Our company has put additional trucks on the road to collect an increased amount of recyclable material that the change in the commercial recycling rules, not surprisingly, has led to. Before the change in law that made commercial recycling essentially the same as residential recycling, not every commercial customer had to separate glass and plastic. Now they do. The monthly cost of having an additional truck in service is approximately \$30,000.

Another change affecting the industry is Local Law 145 which requires all waste trucks to meet 2007 emissions or better by 2020. Simply put, the law requires a tremendous amount of capital investment in truck equipment. New trucks cost \$370,000 when outfitted with the latest technology and safety equipment. We have over 100 trucks.

The economics for every waste company are the same. We have to pay for fuel; for our workers' salaries (good middle class salaries by the way), the cost of "tipping" the garbage or

recyclables, maintenance for our trucks, rent and all the other expenses required to run a business. The money left over after all those expenses, typically 10 to 20 percent of the revenue, is used to pay the interest on the money we borrowed to buy our trucks and containers. The more trucks we have to buy, the more interest we have to pay. It's fundamental that all these expenses and interest payments require corresponding revenue. Without sufficient revenue, there are no wages or anything else. The only way to generate revenue is from the price customers pay for our service. The consequence for these laudable regulatory changes is that prices charged for the collection of solid waste and recycling must change to reflect the new requirements.

Imagine a City where every industry was subject to a rate cap including restaurants, hair dressers, and lawyers. Would those businesses still exist? Yes, but they would certainly not be flourishing nor would there be the variety of services that currently exist today. I urge the Commission to phase out the rate cap so the waste industry is treated like virtually every other service industry in the City is treated.

Thank you.

Testimony
of
Waste Connections
On the
Biennial Review
of the
Business Integrity Commission
Rate Cap for Commercial Trade Waste

Submitted to the
New York City Business Integrity Commission
Honorable Daniel D. Brownell
Commissioner/Chairman

By
Andrew Moss, Government Affairs Manager
Monday, April 9th 2018



Good morning and thank you for the opportunity to appear before you today. Waste Connections, respectfully submits the following testimony regarding a regulatory increase to the rate cap in effect today of \$18.87 per cubic yard or \$12.38 per 100 pounds.

Waste Connections is the only New York Stock Exchange listed, publicly owned company that collects solid waste and recyclables in New York City. Waste Connections' is the third largest non-hazardous solid waste management company in North America. We operate in 39 states in the Country and in five Canadian provinces. In not one of these North American jurisdictions in which we operate, be it state, province, county, city, town or village, is the rate we charge a customer in any way limited or capped by any governmental agency. In all these non-franchised markets, vigorous competition between hauling companies creates the natural incentive to provide customers with high quality service at an affordable rate. If someone does not like the service we provide or the price that we charge, they can simply look for another service provider.

Market forces drive company and customer behavior. The rate cap has two main distorting effects. As everyone is aware, it costs money to pay our workers and buy our trucks. It is not a secret that this money comes from our customers who pay for our service. If one customer's price is limited by regulation as to how much can be charged, another customer's price then may be distorted to help subsidize that capped customer.

There are other aspects of the rate cap that impact our ability to provide specialized customer service. For instance, we cannot charge for specialized services such as weekend or holiday collections. While the customer cannot be billed for these extra days, we still pay our workers double or triple their hourly rate. And if a customer requires us to go into their building to bring their materials out to the curb, we cannot charge for that extra service either. The hard

cap stifles innovation and promotes marketplace inefficiencies. A customer cannot be charged extra for a paper rather than an emailed invoice which is the practice of many other industries. A customer also cannot be charged extra for sending a hand collector to receive his or her payment. Finally, the rate cap does not allow for line item charges such as fuel surcharges that other transportation industries charge their customers. We already are required to have our invoices approved by the Commission. The answer should be to let us line item all our services and let the customers decide what they need and what they want to pay for. Disclosure and flexibility is the answer, not a hard rate cap.

But that is not why we are here today. Today, we are here to provide testimony that demonstrates how our costs due to operations and regulations, both new and impending, either have caused or will cause an increase in operating cost since the last November 1, 2015 rate change. I will break our testimony into three parts: operating costs, capital costs (the equipment we need to operate) and regulatory compliance that impact our expenses. For context, we have approximately 14,714 customers we service of which 3,762 are now at the rate cap; a 26 percent figure which is a significant number.

Operating Costs:

Union Wages: We provide good paying jobs for our hard working union employees. Their wages, as per our collective bargaining agreements, have increased 4.02% in the past two years.

Benefits: Along with good wages we provide medical, dental, vision, life, and disability insurance. For our non-union employees, Medical insurance is scheduled to increase by 15% in 2018. For our union employees, our welfare fund contributions increased by 5% from March 2015 to February 2016 and an additional 22.5% for the period from March 2016 to September

2017. Our pension fund contribution increased by 3.4% from March 2015 to February 2016 and an additional 3.3% from March 2016 to September 2017. A smaller pension fund contribution increased 2% in 2017. All in all, our union benefits increased 7.74% in the two year time period.

Tolls: On January 25, 2017, the Metropolitan Transit Authority announced that tolls on MTA administered bridges and tunnels will increase by four percent over the next two years. Specifically, the Robert F. Kennedy Bridge, the Throgs Neck Bridge, the Bronx-Whitestone Bridge, the Hugh L. Carey Tunnel, and the Queens Midtown Tunnel.

Postage: On April 10, 2016, the price of a first class postage stamp increased from \$.47 to \$.49, a 4.3% increase. We communicate with thousands of customers each month through the Post Office.

Other Expenses: As with most New York City real estate, the rental properties where we store and maintain our trucks have increased by between two and three percent per year.

Capital Costs:

Trucks: The cost of a 32 yard rear load packer rose from \$357,422 in 2015 to \$373,259 in 2017 an increase of 4.33%. As we have stated on our company website and at the BIC Safety Symposiums, for Waste Connections, safety is our number one corporate value. That is why on every new truck we purchase we add additional safety features that cost more than a simple garbage truck. Our trucks are mounted with high intensity lighting packages, side guards, and Qwik-Tip automated loading systems which save on the wear and tear of our workers. While we believe these safety investments, and the training in their usage, are vital in what we all know is a very dangerous occupation, and on a side note should be required for all licensees, there is only one way to pay for these improvements and that is through the rates we charge our customers.

Regulatory Compliance:

Local Law 145: As the Commission is aware, Local Law 145 of 2013 which requires 2007 emissions standards for all commercial waste vehicles by 2020 has resulted in an accelerated capital investment for our company to meet this mandate. In an ordinary year, Waste Connections purchase five new trucks as part of its fleet maintenance program. In order to be in compliance with Local Law 145, Waste Connections will now have to purchase an additional 30 new trucks. At a cost of \$373,259 per truck that is an over \$11,000,000 capital investment over the next two years. For perspectives sake, for every \$370,000 garbage truck, it takes almost \$2,500,000 in gross sales for a company earning a 15 percent operating margin to recover the cost of that truck. Keep in mind that our generated revenue also has to pay for salaries, rent, insurance, and all the other costs of running a business. Given the capital infusion not just needed but mandated, the amount of revenue to pay for this investment is enormous. Here is how we assess its impact: We will have to spend \$5,000,000 per year in new trucks. We generate \$80,000,000 per year in base revenue. Our hauling operation generates approximately 15% EBITDA return for every dollar of revenue. That means that for every dollar of revenue the company earns, \$.15 is left to pay interest and taxes and to record depreciation and amortization expenses on its books. The other \$.85 goes to paying our workers, insurance, fuel, dumping and other associated costs in collecting garbage. Again, on \$80,000,000 at 15%, that leaves \$12,000,000 to pay interest on equipment, taxes, depreciation and amortization expenses. In order to generate \$5,000,000 to purchase that equipment, Waste Connections would need over \$33,350,000 in new revenue. That equates to a 41.7 % increase over what we are currently charging our customers or an increase in the rate cap to \$26.65. Customers currently under the rate cap would likely be increased to a rate over the existing cap but not to this new theoretical

cap. Should the cap not be fully increased, customers who are under the cap may be subsidizing customers who should be at the higher rate who are not

Vision Zero: On November 7, 2014, the speed limit was changed from 30 miles per hour to 25 miles per hour throughout the City; a 20 percent reduction. While we endorse Vision Zero's goal of reducing traffic deaths to zero, the resulting speed reduction has meant an increase in the time a truck spends on its daily route. Moreover, the addition of bike lanes and the increase in overall nighttime City traffic has increased our operating time.

Recycling Regulations: As the Commission is well aware, new commercial recycling regulations took effect on August 1st of this year. In order to meet the new mandate of providing metal, glass and plastic recycling services for all commercial customers, we added an additional recycling route without an associated increase in recycling revenue. The cost for one of our routes runs approximately \$34,000 per month or \$408,000 per year in increased operating costs.

DOT Regulations: At the present time, the majority of commercial waste is trucked out of the City to upstate New York or to other states. New trucking regulations, including electronic logging devices for drivers and hours of service went into effect on December 18th of 2017. While this will increase safety on our roads and highways, it has already had the corresponding effect of increasing the cost of waste disposal transportation.

Intangibles:

Due to its heavy weight, organic waste collection is an expensive service and should have either a separate rate or not be regulated at all. As the Commission is aware, we are not allowed to charge for the specialized containers that must be provided for this service. Compost is collected in either 64 or 35 gallon totes which cost approximately one hundred dollars per unit and only have a two year life expectancy. At 200 pounds a tote, the maximum we can charge

by weight is \$24.76. Organic collection requires specialized trucks that cannot be used for regular waste or recycling collection due to the material's high moisture content. Furthermore, because organic stops are so scattered and specialized, route density that is ordinarily found in MSW and recycling collection, cannot be realized. When these factors are combined with high disposal and operating costs, there is little to no incentive to expand this service beyond what is otherwise mandated. We only offer this service as an "add on" for customers that request it as part of their overall service. For us, as things stand today, it is not a market we are looking to grow.

As mentioned above, 26 percent of our customer base is at the rate cap. These customers frankly, have no incentive to produce less garbage since they can't be charged any additional fee. If their rate is allowed to increase, they may decide to become more diligent about recycling. Of course, they are always free to seek another carter to serve them at a lower cost. The result is a more efficient market place. As my testimony has shown, not only has our operating costs risen but there is a dramatic need to spend money on new equipment. There is only one way to pay for this equipment and that is through what the customer pays. It is time for the rate cap to either be eliminated or substantially increased.

I am happy to provide the Commission with any and all documentation that I have discussed here today. Thank you for your time and your consideration.



TESTIMONY OF
ACTION ENVIRONMENTAL GROUP
RONALD S. BERGAMINI, CEO

BUSINESS INTEGRITY COMMISSION
PUBLIC HEARING ON TRADE WASTE CAP RATES
DANIEL D. BROWNELL, CHAIRMAN

APRIL 9, 2018

Good afternoon Commissioners, my name is Ron Bergamini, CEO of the Action Environmental Group, the parent company to Action Carting, the largest private hauler of solid waste in New York City.

At the hearing on October 18, 2017, I testified on the merits of the rate cap and additional costs facing all responsible solid waste companies. Please refer to that testimony for your review as it frames the discussion in terms of business fundamentals affecting all industry participants.

We feel the need for a rate cap has passed. The basic economic problem with any artificial price restraint is that it distorts markets. One consequence is less investment and less customer choice. These are hardly the goals of an enlightened industry.

I would also like to echo and support the written testimony of Mr. Steve Changaris, the New York City Chapter Director of the National Waste & Recycling Association ("NWRA").

As a member of the BIC's Trade Waste Advisory Board, I share the responsibility of conveying the challenges and goals of the industry. In today's testimony, I would like to address two critical and related issues that have drastically changed the recycling landscape in New York City and beyond since October.

The first issue concerns the City's new mandate with respect to commercial recycling. Our company has put three additional trucks on the road to better manage clean recyclable materials. The monthly cost of having an additional truck in service is approximately \$20,000. While we share the general goals of recycling, contrary to popular belief, recycling often costs more to process than solid waste.

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The Action Environmental Group





The second issue is even more profound. The international recycling market has been upended by new policies instituted by China. China has long been the dominant player as the biggest importer of recyclable products such as plastics and fiber based products.

Beginning January 1, 2018, China banned 24 types of solid waste, including unsorted paper and various plastics. Additionally, bales of acceptable paper and cardboard must meet an unworkable standard of .5% contamination, whereas previously the standard was 2%. In many parts of the United States, mixed paper is going to landfills. The problem is not that the market is soft, there is no market.

A year ago a ton of OCC sold for \$200. Today, the price is about \$65. Mixed paper sold for \$150 a ton a year ago and today mixed paper is worth zero. You simply cannot move it. Unlike previous movements in these markets, this time is different in that market forces are not causing the decline. Instead, a radical shift in China's public policy is the cause. There are no indications that this situation will change in the near or mid-term.

Markets in this country and others may eventually increase demand to deal with the great disparity of supply. At best this is several years away. I would urge this body and members of the public to simply Google "recycling markets China" to learn about the impact this policy shift is having all over the world. Further you can listen to a conference call from this past Friday where Michael Hoffman, Environmental Services Analyst for Stifel Capital Markets interviewed Bill Moore of Moore & Associates to discuss the China Impact on the Recycling Markets.

One obvious forward looking consequence is that prices charged for the collection of solid waste and recycling must change to reflect the industry's changing economics. Thus, I would urge a rate cap increase of at least 20 percent. I would also urge that the BIC not wait the traditional two years to review the rate cap but to do so annually until the day finally comes when this artificial restraint on the market is ended.

Thank you.

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