

Portland Business Survey Results

Cost of Service Study

2004

Background

In 2004, the Portland Office of Sustainable Development contracted with Merina & Company LLP (MCO) and Sound Resource Economics to model the cost of service for commercial garbage and recycling collection under several scenarios. The consultants were tasked to survey up to 200 commercial businesses (businesses and multifamily complexes with more than 4 units) to obtain information about the businesses recycling and solid waste characteristics, and rates paid for solid waste and recycling collection. This report presents findings from that generator survey.

Results

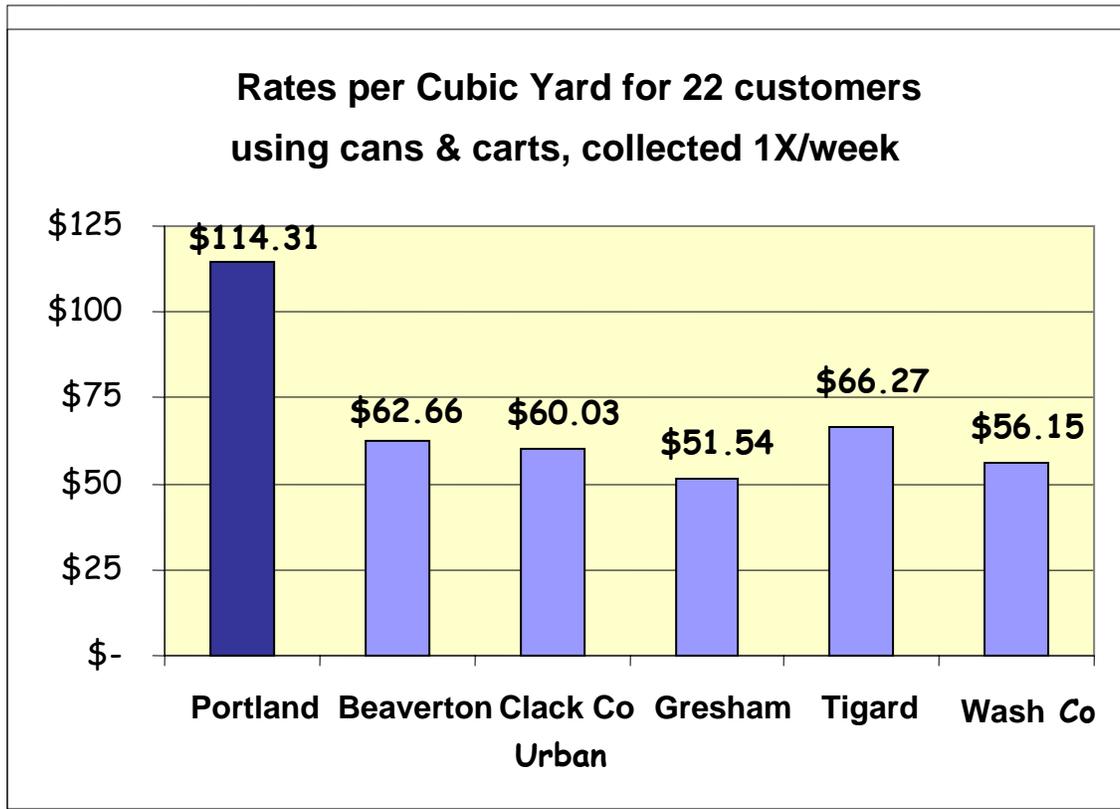
Rates can vary widely for similar service

Rates paid by businesses for collection of garbage and recycling collection varied widely among businesses reporting. The range in rates could reflect anything from convenience of collection to the hauler, the level of recycling services provided, the weight of the garbage (which affects the tipping fee) or the willingness of the business to bargain.

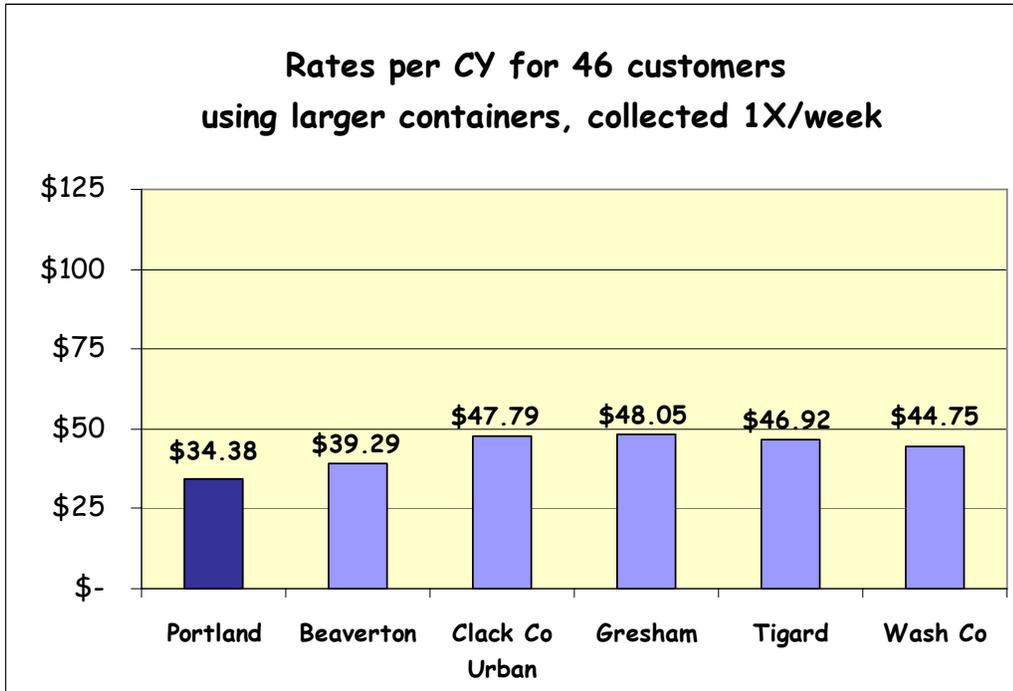
Comparison to surrounding jurisdictions

A careful examination of the rates paid in Portland compared to the rates paid for similar service in the cities and counties surrounding Portland showed that on the average Portland businesses whose garbage was collected in smaller containers, i.e., cans or rollcarts, paid significantly more than similar businesses in the surrounding area. However, those businesses whose garbage was collected in containers of one cubic yard or more paid somewhat less than they would have in surrounding areas.

Rates for smaller containers

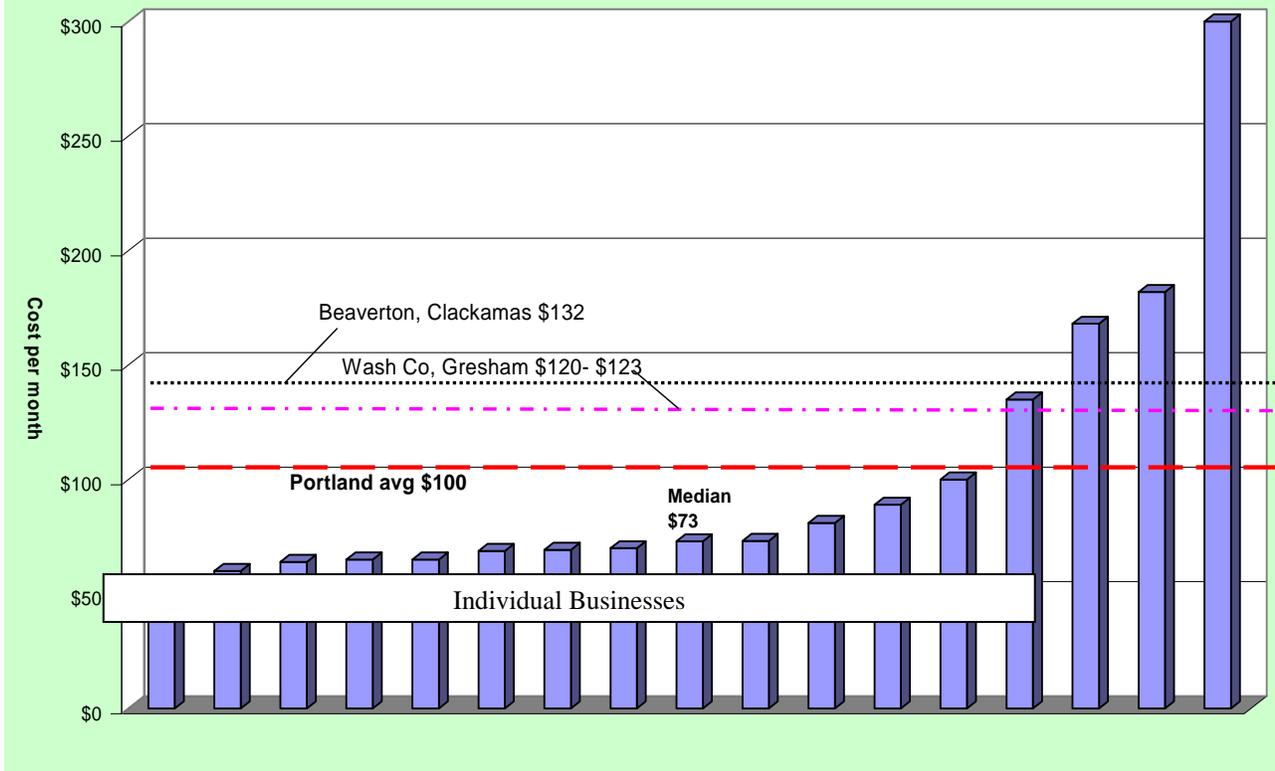


Rates for larger containers



Another way to examine rates is shown in the chart below. Monthly rates for garbage and recycling collection reported by 17 Portland businesses were compared to monthly rates for the same level of garbage collection in surrounding jurisdictions. The Portland rates include more recycling collection than that offered by the franchised areas. The surrounding jurisdiction rates have not been adjusted to eliminate the operating margin and franchise fee. The chart shows a wide range of reported rates for the same service but the average (mean) and the median prices fall below the rates of surrounding jurisdictions.

Portland reported price for 2 yards garbage collected weekly



Possible cost implications of franchising

A comparison of the commercial solid waste and recycling rates paid in Portland, where a competitive market exists, to the rates charged in surrounding jurisdictions, where commercial collection is franchised, suggests that the higher rates observed in the franchised areas are largely due to the realized operating margins and required franchise fees in those areas.

Thus, if Portland were to move to a commercial franchise system, rates would probably rise by the amount of any target operating margin plus any franchise fee, less any reduction in the city's current commercial tonnage fee, less any cost savings from reduced expenditures to obtain customers. In addition, since there is some evidence that route density plays a role in costs, a franchise system that reduced the number of haulers would reduce costs and, by extension, rates. This latter conclusion must be tempered by the efficiencies which currently exist by having a competitive commercial system overlaid on a franchised residential system and which may be lost in a move to a commercial franchised system.

Recycling participation

Based on the survey data we can see that significantly more recycling is happening under Portland's current system than in 1993. In 1993 17% of the material generated was being recycled, today's rate is 53%. In 1993 only 27% of those surveyed recycled more than 2 items, today 37% do so. An overwhelming majority (96%) of the businesses surveyed were recycling at least one material. This was a significant increase from the 1992 study which found that only 72% of the businesses were recycling. There is also a larger reliance on garbage haulers for collection of both garbage and recycling. In 1993 permitted haulers collected recyclables from 70% of commercial generators, today they collect recycling and garbage from 97% of the businesses they serve. The number of permitted garbage haulers has dropped in the last decade from 89 in 1993 to 58 in 2005.

Cardboard was still the most recycled material when measured by numbers of businesses recycling and in cubic yards of space provided for its recycling. Other paper was also frequently recycled and together they represented 76% of the cubic yards devoted to recycling.