

# PAY-AS-YOU-THROW

A Hauler's Perspective

I am from the  
government and  
I am here to help  
you!



# What Is Pay-As-You-Throw?

Pricing system unrelated to costs  
which encourages diversion  
activity.

# What Isn't PAYT

- Variable Rate,
- Progressive Rate or
- Some Other Name

Rates Without Significant Variation AND Little  
Incentive to Residents to Change Their  
Behavior

# Why does the hauler care if the way rates are calculated changes?

PAYT is almost always only a part of the changes taking place:

- Bundling of recyclables collection
- Bundling of compostables collection
- Requirement to provide carts or other containers

# How is the hauler affected?

1. It represents change and change is hard.
2. Software may not support PAYT and related changes.
3. Customers initially have a hard time grasping PAYT.
4. An element of risk is introduced.
5. Politicians think haulers are getting a windfall.

# Change IS Hard!

- Hauler has a system that works.
- Hauler has relationships with vendors that work.
- Employees are used to it and know what to do.
- Customers are used to the system and how it works.
- If it isn't broke, don't fool with it.

# Software, Software, Software

- Change IS expensive
  - Legacy systems have a hard time with:
    - More than one rate
    - Extra charges
    - more than one service being delivered to one address on the same day.
  - PAYT rates often require either new software or changes to old software



# RISK

- PAYT rates require the hauler to “bet” on what his distribution of customers will be among the service levels.



# Revenue Calculation

## Variable Rate

32-gal	\$ 9.00	22% of Cust.	\$ 1.97
64-gal	\$ 9.85	36% of Cust	\$ 3.54
96-gal	\$10.70	42% of Cust.	<u>\$ 4.49</u>
Average Rate			\$10.00

## PAYT Rate

32-gal	\$ 6.20	53% of Cust.	\$ 3.28
64-gal	\$12.40	33% of Cust.	\$ 4.12
96-gal	\$18.60	14% of Cust.	<u>\$ 2.60</u>
Average Rate			\$10.00

# Haulers Don't Want To Adjust Rates Too Often



# Western Disposal's Variable Rates Trash Only, No Recycle

- 2001 last year before PAYT rates imposed
  - 1 -32 gallon can of trash \$13.50
  - 2-32-gallon cans of trash \$14.75
  - 3-32 gallon cans of trash \$16.00

Only \$1.25 difference between levels.

# Western Disposal's PAYT Rates

## Unlimited Recycling Included

- 2002 First Year of PAYT rates
  - 1 -32 gallon can of trash \$16.00
  - 2-32-gallon cans of trash \$24.00
  - 3-32 gallon cans of trash \$32.00

Each level increases by \$8.00

# Customer Distribution By Service Level

- 2001
  - 32 gallon trash 22%
  - 64 gallon trash 36%
  - 96 gallon trash 41%
- 2009
  - 32 gallon trash 53%
  - 64 gallon trash 33%
  - 96 gallon trash 14%

# Pushback Over Rates

- When PAYT rates are introduced, the people with 96-gallon service will see a potential increase of their bill by 75% to 100%.
- Local leaders have to understand the math to be able to defend the decision and the haulers

# Outcomes from PAYT

- City of Boulder 51% Diversion
- City of Louisville 47% Diversion
- City of Lafayette 27% Diversion

Change or Lose  
Competitiveness