

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