

Municipal Recyclables Contracting: Where Are We Now? Where Are We Going?

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Connecticut Solid Waste Advisory Committee



SWANA's Underlying Principles

- Purpose: to advance the responsible management of solid waste as a resource (adopted 2015)
- Integrated solid waste management
 - Local governments are responsible for solid waste management but don't need to own or operate all, or any part of the system
 - Competitive processes by local governments
 - Evaluate cost, quality of service and the long term protection of public health, safety and environmental quality
 - Public, private, or a combination of public and private service providers

In other words

- There's a role for both the public and private sector
- We have to be partners
- Good contracts solidify good partnerships

Except it hasn't always worked that way in reality

An Old Approach to Contracting

- Contracts could be more one-sided when:
 - Residential recyclables were relatively straightforward: OCC, ONP, glass, PET, PET, tin, aluminum
 - A lot of collectors to compete for work
 - Processors could build for stable material types
 - Even mixed materials paid revenues
- Cities expected revenue sharing
- Change factors were often limited to CPI and fuel surcharges

2015: Recycling is Losing Money

- Strong US dollar and weaker Chinese economy drop prices paid for recyclables
- Changing waste stream affects quantity of recyclables
- More contamination in recycling bins:
 - Packaging evolves to more compound products
 - Move to single-stream collection - glass fragments in paper
 - Aspirational recycling rather than “Recycle Right”
- Some collections and processing contracts haven't been updated for years



Public & Private Consensus Points

- 2015 Joint Advisory on Designing Contracts for Processing of Municipal Recyclables
 - National Waste & Recycling Association (NWRA)
 - SWANA
 - A lot of SWANA individual members work for companies that belong to NWRA
- The membership of both organizations believes in the importance of recycling to our national waste infrastructure

Good Contracts Are Always Essential



- What do you want to accomplish?
- How can it be done – your wants met by the contractor’s abilities
- Hand-offs are critical
 - What is the city responsible for?
 - What is your contractor responsible for?
 - Do the contractor’s services have to mesh with other contractors, too?
- Feedback loops

Meanings are Defined Locally

What do you and the contractor specifically mean by:

- Recyclable
- Non-Recyclable
- Contamination
- Residue
- Uncontrollable Circumstance

Set Performance Standards

- Be clear about responsibilities
- Public education should be part of the system
- Back-up plans for downtime – collections & processing
- Systems understanding and feedback loops
 - Example: If public education fails and contamination increases, it causes more downtime in facility operations, which increases operating costs, which can lead to a request for fee increases
 - Record-keeping, documentation, regular reviews

Build Detail into Compensation

- It isn't enough to ask for \$/HH/month in bids and contracts
- Document assumptions related to processing and marketability of materials:
 - Value of materials sold – actual or indices
 - Disposal fees and who is responsible
 - Allowable percentage of recyclables vs. non-recyclables
 - Changes in materials generated
 - Changes in market specifications
- If you ask to share the market revenue, expect also to share the market risk

Good Contracts Are Dynamic

- Regular updates are needed to address:
 - Changes in material
 - Changes in volume or weight
 - Material value
 - Service area demographics
 - Changes in participation
- Regular updates don't prevent the need to accommodate unscheduled changes
 - Disaster
 - Sale of business
 - Other?

Term

- Standard: term of contract covers a period of years
- Standard: Number and length of renewals available
- Needed: Language that allows both parties to revisit dynamic factors on a regular basis within the term of the contract without jeopardizing the entire contract

But Wait, There's More

- Two attachments added to the Joint Advisory
 - Understanding Material Composition
 - Determining the Value of Recyclables Handed at Processing Facilities
- Good data helps in developing good contracts
- Updating the data helps keep the contracts good for all parties



Understanding Material Composition

- Audit waste and recyclables streams before soliciting proposals to set assumptions and performance expectations
- Plan for routine audits within the contract term
 - Mandatory
 - Discretionary
- Use ongoing audit findings to:
 - Document changes
 - Trigger changes in performance requirements
 - Document changes in material value expectations

Determining Recyclables Value

- When contracts include recovered materials revenue sharing or rebate requirements:
 - Have a process for setting recyclables valuations
 - Have a process and pre-set timeline for updating valuations to reflect changing material and market conditions
- Attachment discusses
 - Actual Sales Value
 - Indexed Sales Value
 - Blended Values
 - floating prices
 - fixed prices

2018: China Changes the Market

- Cuts off mixed paper and mixed plastic shipments
- Establishes 0.5% contamination standard for other materials
- Shipments ripple to other east Asian countries that:
 - Lack equivalent market demand
 - Are beginning to establish their own contamination standards

Preface to the Joint Advisory

- From 2015's "best practices" intention to a need to re-examine practices at their root
- Success continues to rest on "strong partnerships among the entities that collect materials, those that process materials, and the proactive participation of the communities served."
- Changes in Chinese markets are not Force Majeure (an act of God) leading to the end all existing recycling contracts

Recycling is NOT in Crisis

A definite period of challenge and opportunity for part of our national ISWM infrastructure

SWANA is advising:

- Address your contracts – bring them up-to-date and sustain good partnerships
- Address public education – recycle right, not recycle everything
- Address processing systems – slow down, add sorters, make investments to update equipment

Resources

<https://swana.org/Resources/GuidelinesforBestContractingPractices.aspx>

<https://swana.org/Resources/ChinaWasteImportRestrictions.aspx>

<https://www.nlc.org/resource/rethinking-recycling-how-cities-can-adapt-to-evolving-markets>



Thank you.

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