



Residential Trash Collection: An Essential Service at a Bargain Price



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SUMMARY

Compared to the monthly cost of necessary utilities and non-essential services such as cable television and cell phones, the cost of collecting trash, recyclables and yard waste, usually between 12 and 20 dollars per month, is one of a household's biggest bargains. Monthly trash collection costs most U.S. households only a fraction of what they pay for utilities and other widely used non-essential services. Even with tough federal and state regulations governing solid waste disposal, more rigorous requirements governing emissions from collection trucks, and increasing labor, fuel and insurance costs, residential trash and recycling collection continues to be a great value.

This paper reviews residential trash collection in the United States, compares the cost of this service with other vital services, describes how competition in the private sector has made this service affordable for tens of millions of Americans, and outlines the challenges for policymakers in helping the waste services industry continue to deliver reliable service at reasonable costs to the American consumer.

RESIDENTIAL TRASH COLLECTION: AN OVERVIEW

Most of us don't think about what happens to our trash after we place it at the curb. A collection truck drives up, picks up the garbage and recyclables and whisks them away.

The average American generates about 4.4 pounds of trash each day.

According to U.S. Environmental Protection Agency (EPA) data, Americans generate 230 million tons of trash each year.¹ More than half of this is residential trash; the rest comes from businesses and institutions. The average American generates about 4.4 pounds of trash each day.

After household garbage is collected, it often goes to a transfer station – a facility where waste from collection routes is consolidated into larger loads for shipment by larger trucks, by rail, or by barge to its ultimate destination – a local or regional landfill, or a waste-to-energy plant. Our recyclables go to processing facilities where they become raw materials for new products.

Collecting, sorting, processing and ultimately disposing of the 630,000 tons of trash Americans generate each day requires an enormous infrastructure. The private waste services industry in the U.S. operates more than 100,000 trash collection trucks each day, collecting both residential and commercial garbage, employs about 270,000 people, and operates about 1,700 recycling processing facilities and more than 2,000 landfills and other disposal facilities nationwide.²

Maintaining this system is costly. A typical new collection truck costs nearly \$200,000. It can cost more than \$100,000 each year to service a single residential route, to cover labor, insurance, fuel, vehicle maintenance and other expenses.

RESIDENTIAL TRASH COLLECTION: A BARGAIN SERVICE



Many consumers don't even know how much they pay for garbage services because the costs come out of general tax revenues in the local government budget and are not billed directly to them. Some towns require their residents to buy special bags or tags for their garbage as a way of paying based on the amount of trash they throw out ("pay as you throw"). And in many cases, residents receive a monthly bill from the local hauler. Understanding what goes into these bills is critical to appreciating the value that most private sector waste services companies provide compared to other essential and non-essential services.

According to data collected by the National Solid Wastes Management Association (NSWMA), an industry group representing private waste services companies with operations in all 50 states, the typical U.S. monthly household bill for waste collection in 2003-04 ranged between \$12 and \$20 per month. On an annual basis, that comes to \$144 to \$240 per household per year. Senior citizens and disabled customers often receive a discount for this service.

This range of fees reflects variations in what it costs to serve households in different parts of the country. These include capital costs for trucks and other equipment, labor, disposal (“tipping”) fees and a host of other purely local details such as whether trash is picked up curbside, the back of the house or in an alley, whether service is provided once or twice each week, what kinds of recyclables are collected and how, and other factors, including local and state taxes.

Contrast the \$12 to \$20 per month paid for garbage and recycling collection with the average monthly bills most people pay for utilities and non-essential services, and the differences are eye opening. On average, U.S. consumers spend:

- ◆ \$175.60 per month for natural gas and \$195.40 per month for heating oil during the winter heating season.³
- ◆ \$73.26 per month for residential electric service.⁴
- ◆ \$49.91 per month for cellular telephone service.⁵
- ◆ \$40.11 per month for cable TV service and equipment.⁶
- ◆ \$23.38 per month for residential telephone service.⁷

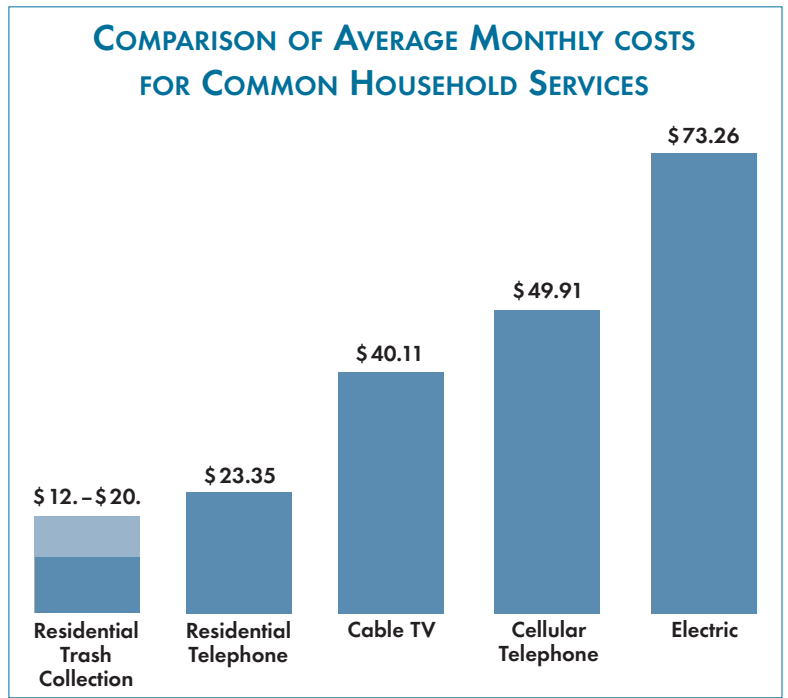
Another way of looking at the cost of waste collection is to compare it to the cost of other services in which a vehicle comes to a house. For example, messenger services and express mail companies typically charge for the pick up of a single small package what a garbage company charges for an entire month of service. Plumbers, electricians and other tradesmen often charge between \$50 and \$100 for a service call.

By any measure, residential trash collection represents a real bargain for U.S. consumers of public services. Why? A unique combination of competition and an innovative private sector.

A HIGHLY COMPETITIVE MARKET FOR TRASH

Throughout America, thousands of companies compete to collect residential trash. These include national companies, regional firms, and many small local haulers. In many towns, local governments collect residential trash using their own trucks and employees. In some markets, local governments contract with a hauler to collect garbage and recyclables, seeking competitive bids for the lowest priced service. In others, haulers compete directly for customers.

As in any situation, more competition means a better deal for customers. Moreover, the barriers to entry in the residential collection market are low. An entrepreneur can start running a route with one or two trucks and expand his or her business from there, as many have. As a result, it is virtually impossible for any one company to monopolize a market and charge excessively high rates because too many competitors are ready in the wings to prevent it. The presence of a diverse private sector for residential trash collection services keeps municipal providers on their toes, as well.



AN INNOVATIVE PRIVATE SECTOR

Numerous innovations have also helped keep residential collection costs reasonable. For example, the development of larger regional disposal facilities, in response to the closure of older landfills unable to comply with EPA's tough "Subtitle D" requirements, has helped to limit price increases. These new facilities use state-of-the-art technology and are protective of public health and the environment.

In addition, transfer stations have been constructed that cost-effectively consolidate individual truckloads of waste for ultimate disposal. The increased use of automated collection vehicles means fewer workers on a collection route. Also, companies are investing in new ways of processing recyclables to reduce costs.

KEEPING RESIDENTIAL COLLECTION A BARGAIN IS A CHALLENGE

On the horizon are several issues the industry must address in order to continue providing the service customers have come to expect at reasonable rates.

Costs for fuel, labor, insurance and taxes continue to increase. As is the case for any goods or services, these increased costs are usually passed along to customers.

While there are thousands of disposal sites across the U.S., expanding existing facilities is a difficult, expensive and time-consuming process, as is building a new landfill. Competing land uses – whether they are for recreation, housing, agriculture or industrial facilities – along with the "Not in My Backyard" (NIMBY) syndrome and local political pressure make siting, permitting and constructing a new landfill a challenging task that can take almost a decade from start to finish.

New taxes and fees are also having an impact. Several states tax garbage disposed at landfills to cover budgetary shortfalls or pay for new programs. While these taxes and fees raise revenues for state governments, they are a cost that local governments and garbage companies have to pass on to their residents and customers.

Inevitably, the prices for goods and services go up, driven by increases in the costs of producing them. Despite substantial increases in basic costs, the waste services industry is working hard to provide a reliable, essential service at a reasonable price – about \$12 to \$20 per month – less than half the cost of the average consumer's monthly cable TV bill.

Americans depend on waste management services on a daily basis. It is a vital service. The private sector has developed a strong, environmentally protective infrastructure that meets America's solid waste needs in a cost-effective manner. The private sector will continue to invest in this national network of trucks, transfer stations and disposal facilities, be innovative and efficient, and rely on open and fair competition to ensure continued reasonable prices for waste collection.

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Source Notes

- ¹ U.S. Environmental Protection Agency, "Municipal Solid Waste in the United States: 2001 Facts and Figures," 2004.
- ² Environmental Research and Education Foundation, "Size of the United States Solid Waste Industry," Apr. 2001.
- ³ U.S. Energy Information Administration, "Short-Term Energy Outlook," Feb. 2004.
- ⁴ U.S. Energy Information Administration, "Annual Electric Utility Report," Nov. 2002.
- ⁵ Cellular Telecommunications & Internet Association, "Semi-Annual Wireless Industry Survey," Dec. 2003.
- ⁶ Federal Communications Commission, "Report on 2002 Cable Industry Prices," July 2003.
- ⁷ Federal Communications Commission, "Trends in Telephone Service," Aug. 2003.