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Testimony on Intro 1574 to Establish Commercial Waste Zones in New York City

Submitted to the New York City Council Committee on Sanitation and Solid Waste Management

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Good morning. I am Ana Champeny, the Director of City Studies at the Citizens Budget Commission (CBC). CBC is a nonpartisan, nonprofit think tank that promotes constructive change in the finances and services of New York State and New York City governments. Thank you for the opportunity to testify on Intro 1574. CBC strongly supports the establishment of commercial waste zones (CWZ) in New York City.

Commercial Waste Zones Would Benefit New York City

As CBC's 2014 report, *Getting the Fiscal Waste Out of Solid Waste Collection in New York City*, documented, the current system of commercial waste collection is characterized by long, inefficient, and duplicative routes. As a result, commercial waste vehicles log extensive vehicle miles traveled (VMT), clogging city streets, releasing noxious emissions, and imposing wear and tear on City streets and noise on residents. In addition, other research and reporting has brought to light significant labor and safety challenges among some operators in the industry.

Establishing commercial waste zones can increase efficiency in collection, achieve substantial VMT reduction, and reduce the negative externalities imposed by long, duplicative routes by having fewer carters serve more customers within contiguous zones. In addition, shifting to a system in which the City contracts with commercial carters allows the City to implement standards for vehicle emissions, safety and training, labor standards, recycling, and other policy objectives through contract requirements.

NYC Should Create a Non-Exclusive CWZ Program

Intro 1574, sponsored by Committee Chair Antonio Reynoso and supported by Council Speaker Corey Johnson and others, proposes to establish 20 "exclusive" zones, each served

by a single carter. The New York City Department of Sanitation (DSNY) proposed a non-exclusive zone model much along the lines of CBC's 2014 recommendation: 20 zones, each served by 3 to 5 carters. The Draft Generic Environmental Impact Statement (DGEIS) prepared by DSNY documents the benefits of both approaches; nonetheless, CBC supports non-exclusive zones for the following four reasons.

1. *Zones Provide Substantial VMT Reductions*

Going from the current system to a zone model would produce a 50 percent reduction in VMT.

2. *Exclusive Zones Provide Only Limited Benefit Over Non-Exclusive Zones*

The incremental benefits of exclusive zones are modest, with an overall VMT reduction of 58 percent, or 8 percentage points higher than a non-exclusive model. In other words, 86 percent of the potential VMT reduction could be achieved through non-exclusive zones.

3. *Non-Exclusive Zones Retain Customer Choice and Performance Incentives*

While a system of exclusive zones would involve multiple carters competing for the City's contract, it would end a customer's opportunity to negotiate with and select a waste carter. Once a carter has been exclusively awarded a zone, it has no additional incentive to reduce costs or improve service. As the only service provider in a zone, an exclusive carter would set pricing in accordance with its contract bid, and there would be no reason for the carter to charge any client less. In a nonexclusive zone model, carters compete not only to be awarded the contract, but also with the other carters in the zone for customers. This maintains incentives to keep costs down and deliver high-quality services that are available in competitive markets.

4. *Exclusive Zones Present Risk to the City if a Carter Fails to Deliver*

Exclusive zones pose risks to customers and taxpayers. If a contracted carter fails to perform collection as required or falls short of customer expectations, customers cannot shift their business to another carter. While DSNY will have oversight responsibility and enforcement capability, DSNY is unlikely to exercise the most severe enforcement tool—contract termination—because that would require DSNY to procure a new contractor rapidly and serve as interim carter. Another carter might not have the capacity to step in on short notice and serve an entire district.

Having DSNY be the default provider in an exclusive zone model is a potentially costly risk for the City. Collection by DSNY would cost more than collection by

private carters because DSNY collection costs, on average, are twice that of the private sector, and additional commercial collection by DSNY would likely be done on overtime, further increasing the cost. The carting fees paid by businesses would be insufficient to cover the City's cost; the City would need to seek reimbursement from the carter, or—more likely—taxpayers would pick up the cost.

Conclusion

CWZ would significantly transform an industry that needs higher labor, safety, and environmental standards and more efficient operations. Reduced VMT will improve the quality of life in neighborhoods across the City. Non-exclusive zones capture this benefit and minimize risks both to customers and to taxpayers, and are preferable to exclusive zones.

The implementation will provide an opportunity for the City and industry to keep track of efficiency gains, environmental benefits, and customer service. The potential variation in the number of carters per zone provides further opportunity to refine the model in the future. The City's request for proposals should include detailed performance metrics to be tracked and made publicly available so that there can be a robust evaluation of the CWZ program that informs DSNY oversight and modifications to the program in future bidding.

Thank you for the opportunity to testify and I would be happy to answer any questions.