

OPTION:

Establish a Franchise System for the Collection of Commercial Waste

Revenue: \$59 million annually

Commercial establishments in New York City must hire private carting companies to collect and dispose of their refuse and recyclables. Offices, restaurants, and other businesses in the city generate over 3 million tons of waste annually, which is picked up by some 261 private carting companies using nearly 4,300 trucks.

The city's Business Integrity Commission (BIC) licenses the commercial carters and establishes a maximum rate that they can charge their customers. Under the current system, a single block can be serviced by multiple collection trucks from different companies all on varied schedules, while individual collection routes can have pickups dispersed throughout the city. These overlapping routes generate excess truck traffic, affecting the city's roadways, air quality, public safety, and noise levels.

A franchise system for commercial waste collection would divide the city into zones, each served exclusively by one carter. This would shorten routes, eliminate overlap, and result in reduced truck mileage. Carters for each zone would be selected by the city through competitive bidding. The selection criteria could include the carter's ability to serve the customers' needs as well as to meet city goals such as lower vehicle emissions, higher recycling rates, and improved safety standards. Similar systems exist in many other cities where franchise rights are usually awarded for a period of 5 years to 10 years. It is common under franchise systems for carters to pay a franchise fee to the city based on a share of their gross receipts, ranging from 2 percent to over 20 percent.

If New York City established a franchise system for the collection of commercial waste with a fee equal to 10 percent of each carter's gross receipts, it could raise \$59 million in new revenue annually. This estimate assumes that carters would charge commercial establishments an average of \$192 per ton, slightly less than the current maximum charge allowed by BIC. It also takes into account the loss of approximately \$2 million the city currently collects through carter, vehicle, and broker registration fees, which it would no longer receive under a franchise system. This option requires City Council legislation and excludes construction and demolition waste, which is hauled by separately licensed carters and is subject to different regulations.

PROPOSERS MIGHT ARGUE that more efficient commercial waste collection system would reduce truck traffic, resulting in various quality of life improvements, less pollution, and potential city savings from fewer road repair expenses. The competitive bidding process could encourage the selection of companies with the ability to advance the city's waste reduction and environmental justice goals. The system could create economies of scale for the carting companies, which would lower their operating costs. Supporters could also note that certain franchise zones could be reserved for smaller carting companies to avoid a transition that disproportionately benefits the largest carters.

OPPOSERS MIGHT ARGUE that the current system allows commercial establishments to choose carters that meet their individual needs and that eliminating this choice could force them into a less satisfactory arrangement. They might argue that private carters already go through a regulatory process with BIC and that additional restrictions on the industry would be burdensome, particularly for small carting companies. They could also argue that the addition of a franchise fee to the city could cancel out any benefit that the carters would receive from exclusive franchise rights, and that it could increase total operating costs, which would be passed on to commercial establishments and their customers.