

March 2017

Waste Export Costs to Rise as Remaining Marine Transfer Stations Open

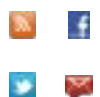
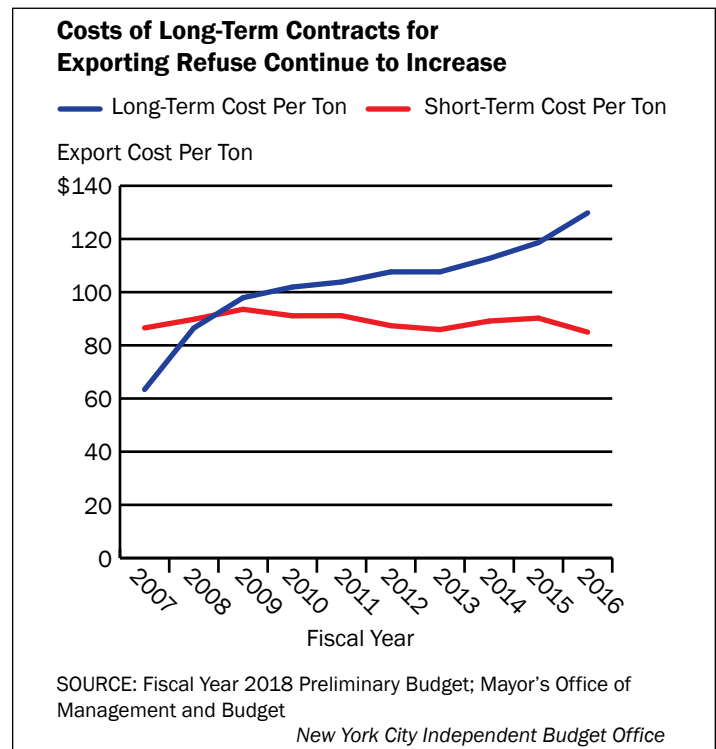
The Mayor’s preliminary budget for 2018 includes additional funding for the Department of Sanitation (DSNY) to cover the rising cost of waste export in the years ahead. (DSNY’s waste export budget only covers refuse as recycling is processed separately.) Over the next few years, DSNY expects that the three remaining marine transfer stations (MTS) that are not yet open will begin processing and exporting refuse. The new long-term export contracts for transporting waste from the marine transfer stations to landfills are more expensive than either the city’s current short-term contracts or its existing long-term contracts. As a result, another \$89 million in city funds was added to DSNY’s budget from 2018 through 2021 (all years refer to fiscal years). While no new funding was added for 2017, the plan includes an additional \$5 million in 2018, \$24 million in 2019, \$26 million in 2020, and \$34 million in 2021.

Escalating Cost of Waste Export. From 2010 through 2014, the city’s annual waste export costs were relatively stable, remaining close to \$300 million annually, as modest increases in per ton export costs were offset by reductions in the waste tonnage produced by city residents. In 2015, however, the city’s waste export costs grew slightly to \$316 million following the opening of the city’s first marine transfer station, the North Shore MTS, late that year. In 2016, annual waste export costs increased by 11 percent to \$351 million. While a portion of the increase in costs from 2015 to 2016 is the result of an increase in the tonnage of garbage exported by the city, some of the growth in export costs can be attributed to the North Shore MTS being fully operational for the entire year under its long-term contract. The current year’s budget for waste export is \$360 million, only slightly higher than actual expenditures in 2016. For 2018, DSNY’s budget for waste

export increases to \$392 million and continues increasing every year of the financial plan to reach \$420 million in 2021 as the remaining marine transfer stations with their more expensive export contracts come online.

Long-Term Contracts More Expensive Than Short-Term.

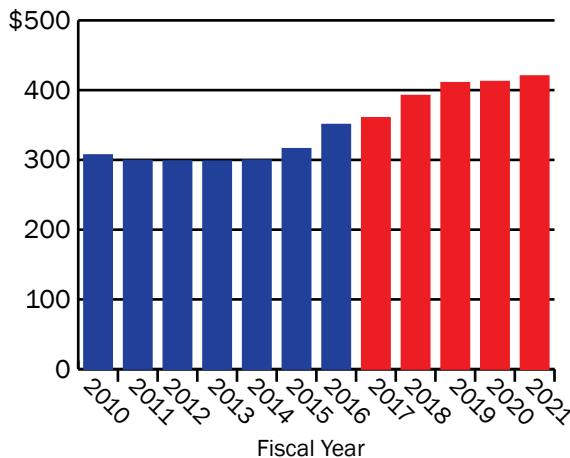
Over the past decade, DSNY has been implementing changes outlined in its 2006 Solid Waste Management Plan (SWMP). These changes include the construction of four marine transfer stations to more evenly distribute the city’s waste infrastructure among the boroughs and to reduce truck traffic. The changes underway also include replacing the city’s short-term waste export contracts for trucking waste out of the city with long-term contracts that



Waste Export Budget Rising

Dollars in millions

Actual Spending Planned Spending



SOURCE: Department of Sanitation export contracts

NOTE: Waste-to-energy export excluded.

New York City Independent Budget Office

provide for waste transfer primarily by rail or barge. The long-term contracts are for export from the marine transfer stations and the remaining inland private transfer stations. When the SWMP was adopted in 2006, landfill space near the city was becoming scarce and the city was concerned about future price increases. Because short-term contracts tend to have greater price volatility, the city sought to replace its short-term contracts with long-term ones that move waste farther from the city in order to guarantee landfill space and provide more stable and predictable costs.

Since 2006, the city has implemented most of its planned long-term contracts, except for those relating to the three marine transfer stations that have yet to open. DSNY recently signed a 20-year contract with Waste Management to handle waste shipped via barges from the Hamilton Avenue MTS, which is scheduled to open in early 2018, and the Southwest Brooklyn MTS, which is still under construction but expected to open in 2019. Covanta holds the export contract for the fully functioning North Shore MTS and the East 91st MTS, which is still under construction and expected to open in 2019.

While the long-term waste export contracts were initially expected to produce savings, it has become apparent that the long-term contracts are actually more expensive on a per ton basis than short-term contracts. While the first long-term contracts the city entered into for the transfer of waste in Staten Island and the Bronx were relatively

inexpensive, subsequent contracts have been increasingly costly. The average cost per ton for long-term contracts has increased from \$63.39 in 2007 to \$129.81 in 2016.¹ Meanwhile, the cost of short-term waste export has declined slightly, from \$86.55 per ton in 2007 to \$84.96 per ton in 2016. This decline could be due to reduced demand for local landfill space as New York City has increasingly exported its waste to landfills farther from the city. It is unclear whether these per ton reductions in the cost of short-term disposal would have occurred if the city had continued its heavy reliance on local waste disposal.

The North Shore MTS is the only one of the four new stations that is currently fully functioning; all of the refuse it exports goes by barge. Exports of refuse from the North Shore MTS have proven to be more costly than both short-term contracts and long-term contracts that export refuse solely via rail. In 2014, prior to the opening of the North Shore MTS, the average cost of a long-term contract to export waste was \$112.67 per ton. By 2016, the North Shore MTS was exporting over 1,000 tons per day at \$176.71 per ton, boosting the average cost per ton for the city's long-term waste export contracts to \$129.81. One reason the North Shore MTS per ton export costs were relatively expensive in 2015 and 2016 is because the station was not yet operating at full capacity as it gradually came online. In the long run, per ton costs for the marine transfer station contracts are likely to become more stable and may even decline as DSNY increases the tonnage exported through the stations.

Over the next few years, however, as the remaining stations begin to operate, the city's per-ton waste export costs will likely continue to be higher than the existing short-term contracts they replace. The increases in DSNY's preliminary budget allocation for waste export costs is the result of the agency's move to fully implement its 2006 Solid Waste Management Plan, providing a more equitable disbursement of sanitation infrastructure across the city, reducing truck traffic, and curbing the use of private transfer stations.

Prepared by Daniel Huber

Endnote

¹Cost per ton calculations only include landfill export contracts and exclude waste-to-energy export contracts. Waste-to-energy contracts are structured differently and their costs per ton reflect revenue earned from energy sales. Waste-to-energy contracts handle a relatively small share (12 percent) of the city's waste. The city currently has one long-term export waste-to-energy contract and used a short-term waste-to-energy contract in 2016.

Share on



Receive notification of IBO's free reports by
[E-mail](#) [Text](#) [Facebook](#) [Twitter](#) [RSS](#)