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# SOLID-WASTE MANAGEMENT

## A GUIDE FOR COMPETITIVE CONTRACTING FOR COLLECTION

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#### **EXECUTIVE SUMMARY**

Over 50 percent of U.S. cities of varying sizes contract all or part of their refuse collection services. The National Solid Wastes Management Association (now Environmental Industries Association) has estimated that at least 50 percent of disposal capacity is privately owned and operated. While no comprehensive surveys have recently been undertaken, the private-sector role in the provision of waste management services appears to be increasing.

U.S. models of privatization take many forms. For collection services, at least six different models of private-sector service delivery exist. These include:

1. single-district, winner-take-all competitive contracting,
2. multi-district competitive contracting,
3. noncompetitive negotiated contracting,
4. "free-for-all" competition,
5. nonexclusive franchising, and
6. competitive exclusive franchising.

In addition to these different privatization models, local governments employ a variety of procedures for: 1) specifying the desired scope of service, 2) evaluating service-delivery options, 3) selecting service providers, and 4) monitoring providers' performance. The breadth and diversity of experience in privatization thus permits an evaluation of what procedures and programs result in high-quality, cost-effective waste management services. This paper will identify those privatization procedures and programs that enhance success.

Three primary forces have motivated the trend toward privatization in the United States: 1) pursuit of cost savings; 2) desire to access new technologies; and 3) desire to reduce risks associated with providing waste management services.

Successful implementation of competitive service delivery involves three stages: 1) an initial evaluation and review of available options; 2) a well-designed service-delivery procurement process (qualifying to bid, bidding, and contracting), and 3) ongoing monitoring and performance reviews (contract administration). Success lies more in the implementation process than in the specific contracting model selected.

Successful transitioning from public-sector to private-sector contracting of waste services requires up-front evaluation of the existing public system.

1. What are the components of the current system?
2. How do these components interrelate?
3. Who currently provides each service component?

One central purpose of privatization is to harness competitive market forces to generate ongoing incentives for more efficient and less costly solid waste management service. Central to this harnessing process is a procurement document that allows for precise and objective evaluation, flexibility, economies of scale, efficient contract length, and accountability.

The hard work really begins after the successful proposer has been selected through the RFQ/RFB process. The aim in contract negotiation should be to establish an agreement whereby the local government maintains needed control over its waste stream, residents are assured low-cost/high-quality waste management services, and the private contractor is able to maintain a profitable business.

The contract should include several critical elements. These include:

- ***A clear definition of the scope of work required.*** Waste management involves an array of different services. Successful privatization requires that one define which of these services will be transferred to the private sector.
- ***A definition of minimum service requirements.*** Once the scope of service is defined, public officials need to clearly define minimum service-level requirements. This includes such matters as frequency of collection, permitted hours of operation, insurance and bonding requirements, health and safety restrictions, permissible service complaint levels, and other basic service parameters.
- ***A description of risk, rate, and termination provisions.***

There is no single best way to structure the contracting of solid waste and recycling collection services. However, in any contracting decision, the twin goals of service quality and competitive cost should guide the design of the bidding process and the delineation of contract details. Ultimately, long-term success of contracting depends on depoliticizing the contracting decision as much as possible, using clear quantitative and qualitative performance standards, and clearly spelling out the responsibilities of the public and private sectors.