

US EPA ARCHIVE DOCUMENT



Section 3

RESOURCE MANAGEMENT: FINDING RESOURCE EFFICIENCY IN SOLID WASTE CONTRACTS

When it seems you have a top-notch waste reduction program in place, do not be fooled into thinking you cannot possibly recycle or prevent another scrap of waste. You can further maximize your recycling and waste prevention programs by implementing an innovative waste contracting strategy called Resource Management (RM). Unlike traditional disposal contracting, which compensates contractor services based on volume of waste disposed, RM contracts cap disposal costs to encourage a single contractor to work with you to improve resource efficiency through enhanced source reduction, recycling, and materials recovery.

RM provides financial incentives for your waste contractor to help you find cost-effective opportunities to reduce waste, boost recycling, and otherwise optimize waste services. This means that by tying incentives to the value of services that foster prevention, reuse, and recycling—with disposal as the last resort—RM encourages alignment of the contractors' activities with yours. For example, as your contractors help you identify cost-effective recycling markets for disposed materials or techniques for preventing waste altogether, they receive a portion of the savings resulting from the innovation.

The table below summarizes the differences between traditional hauling and disposal contracts and those incorporating the principles of resource management:

Features	Traditional Hauling & Disposal Contracts	RM Contracts
Contractor Compensation	Unit price based on waste volume or number of pick-ups.	Capped fee for waste hauling/disposal service. Performance bonuses (or liquidated damages) based on value of resource efficiency savings.
Incentive Structure	Contractor has a profit incentive to maximize waste service and volume.	Contractor seeks profitable resource efficiency innovation.
Waste Generator-Contractor Relationship	Minimal generator-contractor interface.	Waste generator and contractor work together to derive value from resource efficiency.
Scope of Service	Container rental and maintenance, compactor/baler rental and maintenance; hauling, and disposal or processing. Contractor responsibilities begin at the dumpster and end at the landfill or processing site.	Services addressed in hauling and disposal contracts plus services that influence waste generation (i.e., product/process design, material purchase, internal storage, material use, material handling, reporting).



THE BENEFITS OF RESOURCE MANAGEMENT

RM is not a new strategy—many organizations maintain that they have used similar performance-based contracts for years. They find that RM contracting makes good business sense because it helps them save money while receiving better service and improving resource efficiency. Consider some of these advantages:

- *Streamlined services from a single contractor.* Traditional waste contracts typically use multiple contractors to handle separate waste streams, creating a fragmented approach that lacks emphasis on recycling and resource efficiency.
- *Reduced waste disposal costs.* By capping the contractor's compensation, you not only cut disposal costs, but also encourage the contractor to find ways to save.
- *Increased quantities of materials being recycled.* Your contractor will help you increase the quantities of current materials being recycled and identify new materials for recycling.
- *Increase waste prevention opportunities.* Better than recycling, your contractor will also help you find ways to prevent waste at the source, such as internal reuse activities or changes in purchasing.
- *Improved data tracking and reporting by contractor.* By working closely with one contractor on all your waste streams, the contractor can better track and record your waste reduction activities and show the resulting success of the RM contract.

ARE YOU READY FOR RESOURCE MANAGEMENT?

When thinking about potentially switching your waste disposal contracting arrangements to the performance-based RM approach, there are some important questions that you should ask yourself to determine whether or not the transition is feasible and/or desirable:

- *Are you currently in a long-term disposal contract or do you have the option of seeking a new one in the upcoming year?*

If you are locked into an existing contract and will incur penalties for breaking it, you should consider postponing the development of a resource management plan until the last six to eight months of your current contract.

- *How many separate hauling contractors do you currently work with to handle your waste and recyclables?*

If you are currently working with multiple contractors, a transition to a RM contract can offer you multiple benefits. By partnering with a single dedicated and knowledgeable contractor, your waste-related activities will be streamlined and managed consistently and more efficiently. This partnership encourages innovation from both parties, which ultimately leads to mutual economic benefits.

- *Are there opportunities for improving your current waste reduction and recycling programs?*

The compensation structure of RM encourages your hauler to assist you in identifying new

strategies to reduce your waste. So, whether you are interested in adding new materials to your mall's recycling program or identifying new waste prevention practices, RM can help you reduce waste and save money.

For more information, visit EPA's Resource Management Web site at <www.epa.gov/wastewise/wrr/rm.htm>.

RM PRINCIPLES AT WORK IN THE RETAIL SECTOR

Staples, the largest office supply company in the United States, is always looking for ways to reduce its waste. So, in February 2002, the retailer asked Waste Management, a major national trash hauling and recycling service provider, to provide a cost-effective and easy-to-use recycling program for its fluorescent tube re-lamping program. Waste Management worked with Mercury Waste Solutions to offer Staples a program that provided each store with pre-addressed, pre-paid cardboard boxes to ship used fluorescent bulbs for recycling.

Northern Tool & Equipment is a major retailer of power tools and equipment with 40 stores in 10 different U.S. states. At one point, this retailer allowed each of its individual stores to arrange for its own collection of OCC for recycling. In most cases, stores ended up paying to have their OCC hauled, while receiving no rebates on the materials sold to recyclers. As a result, the company as a whole was losing money trying to recycle OCC. In the spring of 2001, the retailer asked Waste Management, its recycling contractor, to develop a plan to integrate all 40 stores into a single recycling program. This new solution guaranteed Northern Tool a stable floor price for its OCC, plus additional rebates when market prices rose past a set ceiling. Since the transition to the new plan, Northern Tool & Equipment has reduced its waste disposal costs by approximately 15 percent.