



Residential Trash Removal Service Report

December 22, 2005

Introduction

Built in the mid 1980s, the Woods of Saxony is a 225 single family residential community located off Route 532 in Newtown Township, Bucks County, Pennsylvania. Residents in the Woods of Saxony have the individual responsibility to select a trash removal service provider of their choice, as the annual dues do not include trash removal. Currently, there are four different companies servicing this community on a weekly basis.

At the November 2005 annual homeowners meeting, the residents requested that an analysis be performed to address the following concerns:

1. Safety – Seek to reduce speed, traffic and noise in the community.
2. Service – Look for ways to improve service to the community.
3. Cost - Benchmark the costs of the four service providers.
4. Options - Identify potential options or recommendations for future consideration.

An RFP was prepared and distributed to five trash removal companies who service the Newtown and surrounding area (see Appendix A).¹ The RFP included specific benchmarks and service-related issues raised by the residents of our community. Only two RFPs were returned by the trash removal companies; therefore, a series of additional phone calls were placed with the non-responsive companies to ensure that the information included in this report was both accurate and complete.

Background

The residential trash removal business in this geographical area has changed dramatically over the past 35 years. With the rapid construction of many developments and the influx of new residents, the demand for trash removal service has grown dramatically. In the formative years, there were two primary trash service providers servicing the Newtown area (i.e., George Leck & Son, and Anders).

As the population expanded and the demand increased, several national trash removal companies targeted this growing market (i.e., BFI and Waste Management). Giving way to increased competition and rising prices of fuel, landfill fees and worker health care costs, the smaller family-owned businesses have either been acquired by large national haulers or struggled to keep costs low while emphasizing the personalized service they provide to the Newtown community.

All this being said, the cost of residential trash removal remains the single lowest utility individual homeowners pay on a monthly basis (i.e., phone, Internet, cable, water, sewer, electric and gas all exceed the monthly cost of trash removal). As recently evidenced by the unionized trash haulers strike this past summer in neighboring New Jersey communities, trash removal is one of the most important community services from a health and well-being standpoint.

¹ Note: Gorski Trash Removal, located in Penns Park, PA, was included in the initial RFP solicitation but they informed us that they no longer service the Newtown area.

Service Providers

There are four companies that service the Woods of Saxony community on a weekly basis. Each of these companies was asked to respond to a general Request for Proposal to determine if there are opportunities for address the above listed concerns if the community is able to shift market share to a single provider.

1. George Leck & Son, Inc. – George Leck & Son, Inc. is a family-owned, non-unionized, Newtown-based business that has serviced the Newtown area for more than 35 years. George Leck & Son prides itself on providing personalized quality customer service. In addition, George Leck & Son works with both Newtown Borough and Newtown Township to actively contribute to the community through the sponsorship of many local events, as well as by being a local employer and tax payer.
2. Waste Management (www.wm.com) – Waste Management is a national, unionized company headquartered in Houston, TX. They own the local Grows Landfill in Morrisville, PA. The company's operations include 429 collection operations, 366 transfer stations, 289 active landfill disposal sites, 17 waste-to-energy plants, 138 recycling plants and 85 beneficial-use landfill gas projects. They have 21 million residential, industrial, municipal and commercial customers nationwide.
3. Allied Waste Services (BFI) (www.awin.com) – Allied Waste Industries, Inc. is the second largest unionized, non-hazardous solid waste management company in the United States. Headquartered in Scottsdale, AZ, they serve approximately 10 million residential, commercial and industrial customers in 128 major markets within 37 states and Puerto Rico.
4. McCullough Rubbish Removal – McCullough Rubbish Removal is a family-owned, non-unionized, Levittown-based business that has some coverage in the Newtown area. Similar to Leck, they pride themselves on personal service to meet the needs of their customers.

In an effort to provide a general overview of the various service providers, the following table has been provided based on the twice weekly service provided in the 4th quarter of 2005:²

	George Leck & Son	Waste Management	Allied Waste Services	McCullough
Contact Information	P.O. Box 2609 Ivyland, PA 18974 (215) 968-3141	1121 Bordentown Rd Morrisville, PA 19067 (215) 736-9400	9240 East Tyburn Rd Morrisville, PA 19067 (215) 723-0400	115 Harmony Rd Levittown, PA 19056 (215) 943-7470
Local / National	Local	National	National	Local
Union / Non-Union	Non-Union Labor	Unionized Labor	Unionized Labor	Non-Union Labor
Response to RFP	Yes	No	No	Yes
# WOS Accounts	96	65 ³	57	7
Trash Pick-Up	Mon / Thurs	Tues / Fri	Mon / Thurs	Mon / Thurs
Container Size	68 Gallon Toter	96 Gallon Toter	96 Gallon Toter	96 Gallon Toter
Recycling Pick-Up	Thurs	Fri	Thurs	Thurs
Base Quarterly Charge (10/05)	\$82.50	\$70.50	\$84.18 ⁴	\$82.50
Fuel/Environment Surcharge (10/05)	\$0.00	\$7.44 ⁵	\$6.81	\$0.00
Total Quarterly Charge (10/05)	\$82.50	\$77.94	\$91.00	\$82.50

² Note: Each of the service providers also offer the option to choose once-per-week service at a reduced cost.

³ Note: Figure extrapolated based on knowledge of the total of the other three carrier's market share.

⁴ Note: Allied Waste Services long after the RFP due date and offered a special rate of ~\$68.43 per quarter, plus added fuel surcharges provided that they could receive all 225 residential accounts. Since there is little chance that we could get all 225 homeowners to switch for minimal (if any) savings, we have used the current residential rates for the basis of this report.

⁵ Note: The Waste Management Fuel/Environmental surcharges have varied dramatically over the past year, in some cases raising the total quarterly charge over \$100.

Analysis

The two main service providers, George Leck & Son and Waste Management, are a contrast in styles in almost every manner. George Leck & Son is a small, family-owned business that employs non-unionized labor from the Newtown area, services our neighborhood on Mondays and Thursdays, and supports the Newtown community on many levels. In contrast, Waste Management is a large national corporation that utilizes unionized labor, services our neighborhood on Tuesdays and Fridays, and owns/operates the local landfill. Customers of both service providers have expressed satisfaction with both the pricing and level of service they receive, so getting them to switch would require either substantial savings and/or other advantages. The following metrics have been identified for consideration:

Advantage

Leck	WM	Measure	Summary
▶	▶	1. <u>Price</u>	During the current quarter, the cost differential between the two main service providers is ~\$1.52 per month / ~\$18.24 per year for the standard two pick-ups per week service, which includes one additional recycling pick up. Leck bills on a flat, all-inclusive, fixed monthly rate. Waste Management uses a monthly base rate plus a variable fuel/environmental surcharge. The Waste Management fuel/environmental surcharge has been extremely volatile and in some quarters caused their total service charges to exceed Leck's standard flat quarterly fee.
	▶	2. <u>Pick-Up Dates</u>	Leck services the community on a Monday / Thursday schedule, while Waste Management services the community on a Tuesday / Friday schedule. It should be noted that four national holidays fall on either a Monday or Thursday each year (i.e., President's Day, Memorial Day, Labor Day and Thanksgiving).
▶		3. <u>Special Pick-Ups</u>	Leck schedules special pick-ups typically within 5 business days, while Waste Management has typically had up to a two week backlog.
	▶	4. <u>Container Size</u>	Leck issues 68 gallon totes; Waste Management issues 96 gallon totes.
▶	▶	5. <u>Service Contracts</u>	Both Leck and Waste Management use annual service agreements for most home accounts. Should a homeowner choose to switch providers, they are often forced to pay-off the remaining months of their existing service agreement. Additionally, the service agreements are not synchronized to expire on the same date, making bulk/group discounts difficult to achieve.
▶		6. <u>Customer Service</u>	Service calls to Leck are answered personally, while Waste Management employs a voice-mail and e-mail system. This approach was clearly evident during the information gathering process for this report, as Leck responded to the RFP and followed up with two 30-minute phone calls directly from the owners, while Waste Management was non-responsive on the RFP and very difficult to contact via their customer service center.
▶		7. <u>Labor Force</u>	Employing unionized labor can have a direct, adverse affect on service through the potential for labor strikes/shortages, as experienced in surrounding communities within the past year.
▶		8. <u>Safety</u>	One area of concern expressed by some residents has been the speed at which the Waste Management trucks pass through the neighborhood. ⁶
▶		9. <u>Community Service</u>	Leck has been a long-time employer of local residents and contributes to the community as both an employer/tax payer, as well as through the sponsorship of many local events. ⁷

⁶ Note: A contributing factor may be that the unionized drivers are paid by the hour and on a per-pick-up basis, so there is an incentive to complete their routes faster.

⁷ Note: Over the years, Leck has continued service free of charge for community members who are out of work, sick or experiencing other types of situational family hardships.

Conclusions

As we have outlined in this report, the residential trash removal business in this geographical area has changed dramatically over the past 35 years. The two main companies currently servicing our community, George Leck & Son and Waste Management, are a contrast in styles in almost every way. All things being equal however, the cost of residential trash removal still remains the single lowest utility individual homeowners pay on a monthly basis.

Needless to say, the one thing that has held true for all four companies is that the only way they recommended that we can save money and still provide the current level of service to the individual residents would be to centralize the billing through the homeowners association. Since the profit margin on residential trash removal service is very small, the companies are reluctant to offer price incentives to gain only a few additional residential accounts. Consequently, they all suggested that the best way to save money for the individual homeowners is to reduce the administrative overhead costs associated with individualized billing and account management. Unfortunately, centralized billing through the homeowners association is not a viable option at this time.

In conclusion, there are many factors to consider when choosing a trash removal service provider, such as cost, customer service, quality, reliability, pick-up schedule, potential for labor shortages and/or strikes, safety, and community service. The objective of this report has been simply to better educate residents on the various trash removal service options and issues that are currently available to our community. Ultimately, the choice of residential trash removal service providers shall continue to be left up to the individual homeowners. It is nonetheless a choice that should be based upon the combination of those factors highlighted in this report that best address their individual needs.

Woods of Saxony Curbside Garbage Service RFP

The Woods of Saxony is a 225 single family home community located off Route 532 in Newtown Township, Pennsylvania. Residents in the Woods of Saxony have the individual responsibility to select a service provider of their choice. Currently, there are at least four companies servicing this community on a weekly basis.

At the request of the individual homeowners, we are distributing this RFP to several local rubbish removal service providers in an effort to address the following residential concerns:

1. Reduce traffic & noise in the community.
2. Improve service to the community.
3. Obtain the most competitive rates for the community.

Please fax back completed forms to (609) 258-9190 no later than December 2, 2005.

Feel free to enclose any additional information that will help us better evaluate your service.

Question	Response
1. Circle the pick-up days for: trash recycling	Mon Tue Wed Thurs Fri Mon Tue Wed Thurs Fri
2. Can you schedule pick-ups to occur between the hours of 10:00 AM and 2:00 PM?	Yes _____ No _____
3. Please indicate the type of service, amount of material picked up, and the current quarterly service charges per household. ➤ Please confirm the size of the toter(s) you provide: _____ gal. and whether they are provided at no additional cost: yes / no (circle one) ➤ Also note any restrictions in the space below (i.e., bundled yard waste may not exceed _____ inches and/or _____ lbs., only _____ bulk item(s), etc.)	One pick-up per week: \$ _____ / quarter consisting of the following: ➤ _____ 65 gal toter(s), ➤ _____ resident provided container(s), ➤ _____ recycling bin(s), ➤ _____ bag(s)/bundle(s) of yard waste. ➤ _____ bulk item(s). Two pick-ups per week \$ _____ / quarter consisting of the following: ➤ _____ 65 gal toter(s), ➤ _____ resident provided container(s), ➤ _____ recycling bin(s), ➤ _____ bag(s)/bundle(s) of yard waste. ➤ _____ bulk item(s).
4. Does this quarterly service charge include all landfill / fuel surcharges?	Yes _____ No _____ If no, please enumerate all surcharge calculations on an attached sheet.
5. Approximate cost for special bulk pick-ups.	
6. Are you willing to offer an additional discount if we are able to get a number of new customers to change their service over to your company?	Yes _____ No _____ If yes, please provide price breaks / tiers / incentives based on number of new customers changing to your service on an attached sheet.
7. Are you willing to hold the above listed pricing for more than one year? (circle one)	1 Year 2 Years 3 Years

We make no express guarantees, as individual homeowners have the ability to choose the provider of their choice. However, we will make every effort to publicize this information to all homeowners in our community should you be selected. Our goal is to offer the option to our community of consolidating the rubbish removal service in 2006.