

Austin residents need to understand the facts and figures of recycling

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Austin is an environmental leader, and it deserves the best possible recycling program. Last week, the City Council voted to reject all bids for a proposed recycling plant. While the city considers its choices, the residents of Austin deserve to understand the dynamics of the recycling program with Greenstar, and know what to consider as the process moves forward.

Commodity prices have rebounded from historic lows, and Austin is now making money on its recycling contract with Greenstar. Austin lost money in the first year because of the collapse in commodity values.

If the program had been launched one year earlier, the city would have earned about \$1 million. In all of the recent bids, including proposals claiming to be initially free, the city would have lost money from October 2008 through 2009.

In 2008, Greenstar made a multimillion-dollar investment to start the single stream recycling program when no one else would.

Since then, recycling participation is up by 70 percent and thousands of tons have been diverted from landfills.

Austin has deferred the capital costs of building a local facility by utilizing existing capacity to process its recyclables in San Antonio at the largest, most automated recycling facility in Texas.

Greenstar has consistently met or exceeded contract specifications, even as it carried a multimillion-dollar liability for the contract. Greenstar offered to reduce its processing fee in exchange for a three-year extension of the original contract, about \$1 million annually. However, the city rejected that offer. Other large Texas municipalities have longer-term contracts that allow for lower processing costs.

Austin residents need to understand that recycling programs are not free. Municipalities typically engage in recycling programs for environmental benefits and landfill cost avoidance. When commodity prices are high, these programs provide an additional benefit — recycling rebates.

Right now, Greenstar rebates 90 percent of the value of paper and 75 percent of the value of containers to the city.

When the blended value of the city's recyclable materials exceeds \$102 a ton, as it has for the majority of the last five-year period, Austin's program makes money. When the value falls below \$102 a ton, rebates are not sufficient to cover processing fees and transportation costs, and thus, Austin pays for its recycling program. Unfortunately, Austin's program is paying for the fact that it was launched at the beginning of a recession and commodity crash.

