

L.A. City Council awards lucrative trash-hauling contracts



A truck with AAA Rubbish Inc. backs into a dumping spot at City Terrace Recycling in 2012. (Mark Boster / Los Angeles Times)

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The Los Angeles City Council on Friday awarded trash-hauling contracts worth \$3.5 billion as part of a new citywide waste collection program expected to raise costs for some customers.

Seven companies and their subcontractors were chosen by the city to exclusively collect trash for roughly 65,000 accounts from San Pedro to Sun Valley.

The 10-year contracts lock in business for these haulers, allowing them to collect refuse from stores, restaurants and large apartment buildings.

The city contracts also set rates for these haulers, giving City Hall a new and untested role in regulating waste pickup across Los Angeles. As part of the franchise program, the city is launching a new division to field complaints from customers.

The City Council voted 13 to 0 to move forward with the contracts.

Several council members praised the “green” requirements in the agreements at a news conference after the vote. Haulers must use clean-fuel trucks, for instance.

“This is a major environmental breakthrough for Los Angeles,” said City Councilman Jose Huizar.

The franchise system was approved in 2014 by the City Council, which moved to create 11 trash-hauling zones across the city.

The vote to award exclusive contracts for these areas marked the next major step in the program, which is expected to start by the end of 2017.

The franchise program covers trash only from commercial businesses and larger apartment complexes. It doesn't affect single-family homes and residential buildings of four or fewer units, which will continue to be served by the city's Bureau of Sanitation.

Experts predict higher bills for some customers in the program. Limiting the number of trash companies in Los Angeles decreases competition because haulers can no longer undercut one another on costs, experts say.

“It's going to raise prices,” said Ron Saldana, executive director of the Los Angeles County Disposal Assn., an industry group.

After studying the new rates on Friday, San Pedro restaurant owner Mona Sutton predicted her garbage costs would rise by at least \$165 a month.

“Shame on the city of L.A.,” Sutton said.

Huizar acknowledged in an interview earlier in the week that costs could rise for some customers, but he predicted decreases for others. The current pricing system, he said, is “wildly inconsistent” because trash companies can charge whatever they want.

“We're trying to come to a place that's more consistent throughout the city,” Huizar said.

Supporters, including environmentalists and labor groups, compare the current trash pickup system to the Wild West. Multiple haulers mean there are more trucks on the road, and a lack of regulation results in price gouging for some customers and hazardous conditions for workers, they argue.

Under the contracts, blue recycling bins will be required at all commercial and apartment buildings. The city currently doesn't require blue bins at such sites.

The recycling element will make it easier for Los Angeles to meet its goal of keeping 90% of its waste out of landfills by 2025, supporters say.

San Jose and many Orange County cities also have similar trash franchise systems.

Haulers can also raise prices by as much as 5% each year, but the price increase must be tied to the cost of living.

Los Angeles will collect about \$35 million annually in franchise fees from the haulers as part of the program, officials said.

The California Apartment Assn., which represents more than 50,000 building owners statewide, opposes the franchise system, believing apartment buildings should be able to pick their trash haulers rather than be forced to work with a city-backed company.

Beverly Kenworthy, the group's vice president of public affairs, predicted apartment owners will pass on higher trash bills to renters.

“Any increase in costs is an increased burden on renters,” Kenworthy said.

The Los Angeles Area Chamber of Commerce also opposed the franchise system because of the anticipated higher costs.

In a statement, Chief Executive Gary Toebben called it a “politically motivated and union-driven system” and criticized the contract’s allowed yearly increases.

“Annual cost increases will raise prices over the life of these trash contracts. This is not friendly to business and will limit job creation and hurt our local economy,” Toebben said.

Athens Services, a 59-year-old waste-hauling company with headquarters in the City of Industry and Los Angeles, is slated to secure a contract worth \$1.02 billion to service the Harbor, West and North-Central sections of the city.

The company plans to spend \$40 million on clean-fuel trucks, said President Greg Loughnane. The contract also requires the company to build a new \$10-million waste-handling facility.

Loughnane praised the environmental goals of the program. “The standards being set by this franchise have very noble requirements,” he said.

Another company slated to receive a contract is Phoenix-based Republic Services.

City policy discourages contracting with Arizona companies because of the state’s anti-immigrant stance, but lawmakers have repeatedly ignored that recommendation.