



May 31, 2018

RE: Increase in Recycling Processing Costs

To Our Valued Customer:

Texas Pride Disposal takes tremendous pride in providing your community with solid waste and recycling collection services. We have worked hard to deliver a simple, single-stream recycling program in which your residents can place all of their recyclables commingled in their recycling bin. From the early days of recycling when acceptable items included just newspaper, plastics #1 & #2, and aluminum cans, we have watched recycling expand to all waste paper, cardboard, paperboard, waxboard, aluminum and tin cans, glass bottles and jars, plastics #1-#7, and light scrap. This was predominantly made possible by China, who, for years, has been the world's largest buyer of scrap material. However, with the increase in items being tossed into the recycle bin, so too came an increase in contamination.

In 2013, China enacted their "Green Fence" policy, aimed at reducing the contamination of recyclables coming into the country. This was followed up with an announcement in September 2017 of their new "National Sword" policy, aiming to reduce contamination from 5% to 0.3%. These new contamination rates were lower than any sorting system has ever achieved, and pushback through the World Trade Organization saw China relieve this to 0.5%, still an almost unattainable level for most current processing systems.

Adding to these woes, the current trade war between China and the United States recently saw China put a one-month ban on all recycle and scrap imports into the country, putting even more pressure on domestic recycling markets. Many states with legislation requiring recycling have seen numerous requests to suspend the recycling some or all items, and processing costs have skyrocketed. Attached you will find an article from the Wall Street Journal further detailing the recent issues plaguing the recycling industry.

With these revelations in the recycling market, our recycling costs have not been spared. While we typically budget for a "worst-case" scenario of recycling processing costs of \$20.00 per ton, our costs have risen significantly higher than this over the last few months, with processing costs expected to hit over \$47.00 per ton in May and hitting as high as \$60.00-\$65.00 per ton in coming months, significantly higher than even our landfill costs. To offset these unexpected costs, we are providing a few options for your community to help us continue our recycling program while minimizing the impact on your pocket:

- Option 1: An \$0.83 monthly increase in price to offset our recycling processing costs
 - o The average home has about 8.5 pounds of recyclables in their recycling bin each week. With a processing fee approaching a \$45.00 per ton difference between actual and budgeted expense, this equates to \$0.0225 per pound of recyclables, or an \$0.83 per home per month increase in recycling cost to offset processing costs.
- Option 2: Temporary suspension of delivery of recyclables to a recycling facility

- Texas Pride Disposal will continue to collect recyclables from assigned containers with a separate recycling truck, but material will be sent to a landfill until it is economically feasible to reinstate recycling. This option supports the continued habit of recycling from the resident's perspective, and residents will see no difference in their regularly provided services. There is also no increase or decrease in price as our costs remain essentially the same: labor remains unchanged, containers continue to be amortized on the same term, and the cost of disposal remains in the \$20.00-\$30.00 per ton range, just slightly higher than our budgeted recycling costs. Our definition of feasible when returning to delivering recyclables to a recycling facility is processing costs near or under \$25.00/ton.

Please note that as our recycling processor has immediately implemented their increase in processing costs (included letter from Waste Management), we will be implementing Option 1 effective in June if no notice is given on a preferred option.

We appreciate the opportunity to serve you and your community, and we appreciate your understanding in this request. While we understand the importance of recycling, the most important aspect, and most often forgotten, is that recycling is a business based off of supply and demand. Yes, it feels good and is the right thing to do, but it also must make sense economically throughout the process.

Additionally, one of the key aspects to take away from the current state of recycling is that this issue has essentially been derived from dirty, contaminated loads of recyclables being delivered to China. One of our biggest driving factors in our recycle processing cost structure is contamination. The less contamination, the lower our processing costs. Attached, you will also find Waste Management's notification to us on their approach to contamination. More than ever, it is crucial to reiterate with your residents what can and cannot be recycled, and how it is directly affecting their cost to recycle. Also included in this packet is a detailed list of what we can and cannot recycle. We encourage you to disseminate this to your residents. Additionally, our detailed list of recyclables is always available at www.texaspridedisposal.com/recycling.

If you have any questions or concerns, please direct them to Kevin Atkinson (contact information below). We are happy to work with you and your community in any and all ways to help understand the current situation and address it in the most adequate manner.

Again, we appreciate, more than we can explain in words, the opportunity to be your community's solid waste and recycling collection provider.

Thank you,

Kevin Atkinson
Owner – ★ Texas Pride Disposal