

# Portland Haulers Association

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To: Portland Planning and Sustainability Commission  
From: Beth Vargas Duncan, ORRA Regional Director  
Re: Portland Franchise Renewal Review Process Update  
Date: December 28, 2017

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## **Portland Haulers Association Recommendation to Portland Planning and Sustainability Commission**

- Support prompt franchise renewal to provide operational and financial certainty to franchised companies with proven records of providing excellent service to the residential customers they serve, and;
- Establish a clear, transparent, and collaborative process to evaluate and identify potential barriers to economic opportunities, which may include minority ownerships of a franchise, and develop recommendations for the City and the industry on how to reduce those barriers.

Portland Haulers Association (PHA) wants to be a partner in achieving all of the City goals and Guiding Principles (**Exhibit A, attached**). We have worked well together to innovate and advance new policies and objectives over the years and we remain committed to doing so now and into the future.

## **Background**

We understand that the Bureau of Planning and Sustainability (BPS) staff has plans for a report to the Portland Planning and Sustainability Commission (PSC) on the status of the franchise renewal process for collecting residential solid waste, recycling and composting. Our goal for this document is to provide additional context about the industry and who the Portland area haulers are, and how we can partner going forward to enhance equity. While we are providing this in writing, our hope is this opens the door to a comprehensive and thorough conversation with the Commission about the topics covered in this memo and provided by the BPS staff.

As the PSC continues to consider the Portland franchise renewal, the PHA wants to ensure that the PSC has more information about PHA members, the history of our work with the City and our most recent achievements in meeting the Guiding Principles that provide the framework for this review.

## **Who are Portland's residential garbage, recycling, and organics haulers?**

- Portland franchises 13 companies - 3 are publicly traded companies; 10 are family, locally grown and locally owned companies. Of the 10 local companies, 6 of them currently have 10 women in ownership and collectively, those women have hundreds of years of experience working in the waste industry in Oregon. Historically, there have been women in ownership of these family businesses for generations.
- All franchised collection companies proudly offer family wage jobs with excellent benefits - taking care of employees so they can take care of customers. Family owned companies have built their businesses over generations and are strong supporters of their communities; publicly-traded companies bring expansive R & D in waste and recovery technologies and draw on technical expertise from around the nation to offer as a resource in Portland.
- Since the introduction of the franchise model in 1992, residential franchises have consolidated from approximately 69 to 13 today. Many of those consolidations have been family companies purchasing

other family companies. The most recent purchase of a smaller company by a publicly-traded company was completed January 1, 2011, and before that, there was a purchase in 2008. (**Attached, City staff's "genealogy chart" of purchases of franchised businesses since 1992**).

- According to City staff, franchised residential haulers serve about 27% of the volume of waste in Portland; the other 73% of waste is in the commercial sector that is not a part of the franchise and does not have the same limited entry. In fact, the commercial sector is served by many more than 13 companies in an open market where entry is unlimited and contracts for waste and recycling collection are negotiated directly between the commercial customers and the haulers.

### **What is happening now with franchise renewal and haulers' performance review?**

- As part of the standard midterm review, the residential collection franchised companies are working with the City through a review process based on the four Guiding Principles presented to the City Council on August 3, 2017, (**Exhibit A, attached**). The Principles are:
  - 1) Advance climate action goals;
  - 2) Ensure cost effective, safe, and environmentally sound operations;
  - 3) Provide exemplary customer service, and;
  - 4) Develop a resilient and equitable system.

PHA is pleased with the progress and success on all of these Principles, many of which are outlined below:

#### **1. Advance Climate Action Goals**

- Food waste recovery with curbside composting beginning in 2011.
- Clean fleet standards with some exceeding requirements by buying Compressed Natural Gas (CNG) trucks (\$33,000-\$42,000 more than a diesel truck) and making huge investments in adding CNG fueling stations.

#### **2. Ensure Cost Effective, Safe, and Environmentally Sound Operations**

- Automated Service & Roll Carts - PHA haulers have committed to purchasing residential roll carts for all customers to further increase efficiencies (reducing greenhouse gas emissions), streamline service, and promote worker safety.
- PHA proposed a transition from cans to carts this summer to City staff; a transition date has not been identified. PHA haulers are committed to work with staff for planned implementation.
- Test Project: Adding Sideguards to Trucks to Offer More Safety and Protection for Bicyclists and Pedestrians.

#### **3. Provide Exemplary Customer Service**

- City residential franchise performs exceptionally well; it is nationally recognized and the program is consistently well-ranked by residents. It provides quality service for all residents at a reasonable cost. Service is not mandatory; residents can choose to self-haul their solid waste, but few do.

#### 4. Develop a Resilient and Equitable System

- Supported and participated with the City on a 2017 Workforce Study with 100% PHA participation;
- City's survey results showed franchised companies currently have workforce diversity that reflects Portland's workforce and is comparable via census data.
- PHA independently retained a consultant to help expand their companies' workforce diversity initiatives to build off the existing foundation to achieve even greater workforce diversity.

Specifically, the fourth Guiding Principle defines this goal, in part, as: 1. Increasing participation of women and minority workers, and, 2. Reducing barriers to economic opportunities for minority-owned and women-owned companies.

The City's survey did not ask about minority or women ownership. It focused only on workforce, however in the latest conversations about the renewal process and the Guiding Principles, it seems that there is a new emphasis on minority ownership as a potential criteria for the renewal process to advance as it has in the past during this midterm point.

PHA is supportive of all of the goals specified under the Guiding Principles. As an industry, and individually, the companies that make up the Portland Haulers Association have always worked collaboratively with the City to reach the business, environmental and service goals and they remain committed to working collaboratively.

The concern is not about the specific goal of minority ownership. The concern is about introducing new criteria by which franchises must be measured at this stage in the renewal process - midterm in a 10 year agreement. In the past renewal has been granted by the end of January or earlier in the midterm review per [City ordinance](#).

#### **The lack of clarity in the current process is creating uncertainty for Portland's residential franchisees:**

- If the focus is on how to create a franchise for a new minority owner entrant, that could mean customers will be redistributed and how it may be done is unknown, which means current franchises cannot forecast business investment needs and plan for the future.
- Questions remain about how to legally create a new franchise without an adverse impact on current franchisees, including the small family and woman owned companies (the publicly traded companies are not addressed in ownership diversity data and review).
- There remains a lack of clarity about what the City would consider success for the fourth Guiding Principle at this stage in the renewal process.
- Uncertainty of the process and timelines affect smaller franchised companies by limiting their ability to finance infrastructure and workforce needs due to inability to obtain capital without franchise, increased greenhouse gas emissions due to lost opportunities to convert to Compressed Natural Gas (CNG) trucks and other compromises to the system resulting in added costs and reduced safety.

### **Proposed Next Steps**

As stated, our concern is not in asking important questions that we agree should be discussed, but rather in introducing a new criteria of this level of complexity regarding franchise ownership midterm of an agreement. A continued delay in the renewal process would create a disruption to the system that could result in the closure or multiple closures of smaller, locally owned companies that employ hundreds of Oregonians and represent Oregon values in the way they conduct business. And we worry that this delay in renewal and the associated disruption to the system would be counterproductive to the stated goals of diversifying ownership opportunities.

Please, instead of continuing down the current path that is beginning to create divides, we would like to engage in a conversation with you as a Commission about how we can collectively advance the City goals. We would like to work with you in the spirit of cooperation and discuss several questions that we believe should be fully addressed in order for any changes to the existing structure to be successful. We would appreciate the opportunity to share more about the logistics and operations of a franchise and how we can advance this renewal process, while also establishing a parallel process to address the city goal of expanding opportunities to minority ownership.

We stand ready to be active and productive participants in this conversation. We have ideas ready to introduce and explore. We want to be a partner. We also want to continue to provide service to the residents of Portland without disruption as we work with you on these important goals.

Thank you for your time and we hope you will accept our request for a meeting to further discuss these important issues.

## **EXHIBIT A**

### **Guiding Principles for Franchise Review**

The City of Portland regulates residential garbage, recycling and composting service through a franchise system that aims to provide reliable, cost-efficient, and environmentally and socially sustainable curbside collection. City Council establishes the service offerings and rates, endeavoring to meet waste reduction and recovery policy goals and the needs of a diverse customer base.

#### **1. Advance Climate Action Plan goals.**

- Reduce food scraps sent to landfills by 90 percent.
- Reduce per capita solid waste by 33 percent.
- Recover 90 percent of all waste generated.

#### **2. Ensure cost-effective, safe, and environmentally sound operations.**

- Establish rates through a process that promotes operational efficiencies while meeting policy goals, including equity.
- Employ a rate-setting methodology that provides franchisees the opportunity to earn a reasonable operating margin without guaranteeing a specific return to any franchisee.
- Develop programs and conduct operations to ensure public and worker safety.
- Reduce air emissions from collection vehicles.
- Improve the safety of collection vehicles for hauler employees and for other road users.

#### **3. Provide exemplary customer service.**

- Respond promptly to and communicate appropriately with customers.
- Use technologies to provide more responsive, reliable, and convenient customer service.
- Keep and maintain accurate and accessible customer and operational records.

#### **4. Develop a resilient and equitable system.**

- Increase participation of women and minority workers.
- Reduce barriers to economic opportunities for minority-owned and women-owned companies.
- Collect clean and marketable recyclable and compostable material streams.
- Maintain the ability to adapt to emerging policy goals.

**Genealogy of Portland Franchised Company Sales**

<b>Kahut Waste Services, dba City Sanitary</b>	City (Boitano), 2013			
	Deines Bros, 2011			
<b>Deines, M. Sanitary Service</b>	Deines P, 2011			
<b>Elmer's Sanitary Service</b>				
<b>Gruetter Sanitary Service</b>				
<b>Heiberg Garbage Service</b>	Cloudburst, 2016	Schnell, 1997		
		Sunflower, 1992		
	DeYoung, 2015			
	Eckert, 2008			
	Troutd Bros, 2008			
	Argay, 2007			
	Dave's, 2007			
	Wunsch, 2000			
	Schild, 1994			
Fink, 1992				
<b>Lehl Disposal</b>				
<b>Portland Disposal &amp; Recycling</b>	Weitzel, 2017			
	Weisenflush, 2014			
	Alberta, 2007	Irvington, 2002		
	Wooten, 2006			
	Mohr, 2006			
	Borgens, 2003			
	Hohnstein, 2002			
	Weber, 2002			
	Kiltow, 2002			
	Egger, 1996			
	Baldwin, 1996	Mel's, 1992		
		Dollowitch, 1992		
		Mantia, 1992		
	Blaine's, 1995			
TDI, 1995				
Helzer, 1993				
<b>Republic Services</b>	Allied Waste of Lake Oswego, 2013	Dunthorpe, 2008		
		Rossmann, 2001		
<b>Sunset Garbage Collection</b>				

<b>Wacker Sanitary Service</b>	Hoffman, 2008	Mel Walker, 1992			
	Rae's, 1991				
<b>Walker Garbage Service</b>	Pride, 2003	Dee's, 2001			
<b>Waste Connections, dba Arrow Sanitary Service</b>	Trashco, 2008	Pioneer, 1992			
	American, 2002				
	Moreland, 1999	Columbia, 1996	Krening, 1994		
	Refuse Removal, 1999				
	Fleming, 1999				
	Arrow, 1998	Loffink, 1994			
<b>Waste Management of Oregon</b>	Trashmasters, 2010				
	Miller's, 1999				
	USA Waste, 1999	Multnomah, 1998			
		Pacific, 1998			
		Cedar Mill, 1997			
	Sanifill, 1996	Alpine, 1996	Wayne's Midway, 1995		
			Midland, 1994		
			Luchs, 1992		
		Jack Young, 1996			
	McInnis, 1996				
MDC, 1995					