

Waste Management Inc. of Florida Comments & Suggestions for the City
of Miami Beach Commercial & Multi-Family Solid Waste & Recycling Franchise

Franchise Type

The City has contemplated exclusive vs. non-exclusive franchises, and the feedback from the majority of customers and stakeholders has overwhelmingly favored continuation of a non-exclusive franchise. Recent studies by the City's consultant have shown that the number one priority of Miami Beach customers is the ability to select their own franchisees.

Number of Non-Exclusive Franchisees

Whether maintaining the number of franchisees at two provides adequate competition is debatable. The City's Code allows up to five. Deciding on an optimal number requires balancing increased competition against increased commercial truck traffic. WM's position on this issue is that it is a City policy issue, and the company supports maintaining the number of franchisees anywhere between two and five, at the City's discretion.

Pricing Considerations

Pricing in a non-exclusive franchise is negotiated on a case-by-case between franchisees and customers. This allows customer-specific pricing based on various factors, such as service time, physical impediments, accessibility, container location and space constraints, whether the customer has other locations in the City and/or elsewhere, the total combination of services provided, length of contract, etc. This type of arrangement avoids "cookie cutter" problems when a single price is attempted to apply to all customers, which in effect shifts the cost burden of customers with more challenging service delivery onto customers with easier service delivery.

It should be noted here that the cost of providing service to customers in Miami Beach is generally higher than the cost in other areas with less traffic, fewer in-kind service obligations/mandatory financial contributions, larger containers with fewer pickups, fewer service time restrictions, etc. It should also be noted that price is only one factor. In a non-exclusive franchise, the franchisees compete not just on price, but on service and other factors, which may include many diverse attributes such as financial stability, reputation, resources, ability to utilize alternative fuels (such as CNG, which burns much cleaner than diesel,) ownership of recycling processing facilities, ability to provide service regionally or nationally, overall sustainability capabilities, etc. In short, price is a consideration, but value is what really matters. By way of example, it is unlikely that Miami Beach is the cheapest place to purchase a home or open a business, yet it remains one of the most desirable to do so. That is a function of value, not just price.

Price Increases

No one wants to pay more for anything, but in the past 2-3 years, everyone is paying more for almost everything. Solid waste and recycling services are no different. Fuel has skyrocketed, as have materials such as steel for containers, the huge and growing shortage of commercial drivers has resulted in large increases in wages and benefits, fleet and containers are not only more costly, but there are often lead times in excess of 1-2 years for truck purchases. All of these factors increase the cost of providing service, but WM's customer contracts provide ample protection to customers.

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WM Service Contract for Commercial Customers --Price Protections

WM's service contracts provide protections to both parties. For example, there is a service quality guarantee which allows a customer to terminate the contract if WM fails to rectify a service failure within 5 business days. In addition, when it comes to price, there are two categories of rate adjustments: permitted and consensual. Permitted increases generally include increased costs caused by largely uncontrollable items, such as cost-of living/Consumer Price Index, which reflects inflation, waste disposal fees at disposal facilities, the cost of fuel, and costs due to changes in law, etc. These types of adjustments are considered non-consensual, and should be expected. WM can also seek price adjustments for other non-listed factors, but that situation generally requires customer consent. If a consensual rate adjustment is requested, customers have several options:

- Customers may cancel their contracts within 30 days with no liquidated damages.
- Customers may negotiate the consensual rate adjustment request.
- Customers may accept the consensual rate adjustment.

Based on recent public comments, it appears that many in the community are not aware of these options that WM provides to its customers.

Overloaded Containers/Spillage

WM utilizes cameras in its "Smart Trucks" that capture photos of all containers upon approach by the truck. Overloaded containers are unsightly and result in spillage and windblown debris. The Smart Truck technology automatically documents overloaded containers and assists in demonstrating to customers the need for "right-sizing" their service to maintain cleanliness. Photos and video footage are available to share with customers, and when necessary, with City officials in cases where the customers still refuse to contract adequate service capacity. The City may wish to consider this technology as a requirement in the future.

Conclusion

In summary, maintaining a non-exclusive franchise is the best option for Miami Beach. Increasing the number of franchisees will increase competition. Franchisees will compete on both price and service-related items, and customers may still select their own franchisees and negotiate their own contracts. That fact, combined with WM's Customer Contract limitations on rate adjustments provides ample protection and value to Miami Beach customers, and may serve as a model for the upcoming RFP.