

Local Authority Trade Waste: Opportunity or Headache?



The Backdrop:

- Many authorities operate Trade Waste as a side-line to the core domestic waste collection service, often based upon a perceived obligation to deliver such a service and historic practice.
- EPA 1990 requires authorities to “arrange for the collection of commercial waste, if requested (s45 (1)(b)) and a reasonable charge may be made for its collection.(s.45(4))” i.e. should a request be made by a business to collect commercial waste, the statutory waste collection (and disposal) authority, must make the necessary arrangements and should recover all related cost.
- In practical terms, a local authority has to at least maintain a list of local commercial trade waste operators that it can direct enquiries to should it choose not to deliver the service directly.
- In turn, trading authorities can say no although they often do not as a perceived social obligation. However, we would argue that any such obligation should not come at net cost to the authority as to do so reduces resources available to meet core service priorities i.e. it would be a subsidy by residents.

The Opportunity:

- Trade waste can deliver a surplus and/or absorb significant internal overhead charges to support core service priorities (NB: 25% contribution margin pre overheads is not unrealistic)
- Trade waste can represent incremental volume to processing facilities (and potentially secure correspondingly competitive disposal rates as a consequence)
- If invested in, it can be grown by taking market share from the private sector to increase surplus generation
- There is now no LATS to stifle growth and there are two other specific potential sources of competitive advantage in no VAT and the ability to collect trade waste c/o the domestic fleet (subject to suitable waste tracking)

Typical issues:

- Lack of clarity about whether the service actually provides a return and who “owns” it
- Poor overall value for the public pound due to a lack of joined up thinking between waste collection authorities (WCA’s) and waste disposal authorities (WDA’s) i.e. the actions by one party can provide a local financial benefit but adversely impact upon others as a consequence.

- Can be provider of last resort i.e. bottom feeder for business unattractive to private sector (e.g. single weekly collections, outlying locations, over-weight containers) with a limited service offering (typically Euro only and/or limited recycling offer)
- General operating inefficiency (routing, adverse labour costs, outmoded work practices etc) and un-commercial practices e.g. loose service contracts, inflexible & published price structure, crude pricing matrices, lack of sales and marketing skills and/or capacity.
- Issues over application of CWR (Schedule 2) and LATS have clouded the position (but these are resolving)

Fundamentals: where to start?

- Ensure the service covers all of its costs – so start by understanding whether it does or not (NB: cross subsidies from the wider collection operation are common). In doing so, also consider the “public pound” to ensure that value is delivered in the round
- Establish how efficient the operation really is - review critically against private sector peers
- Eliminate as far as possible (or at least make viable) all current business – focus on weights, avoidance of outlying work (some social obligation) and development of local critical mass
- Ensure the commercial framework of the business is robust. Again review critically, specifically the pricing structure and contractual arrangements - one month’s notice is not uncommon which makes business easy for competitors to attack
- Consider whether the service offering is appropriate e.g. non-containerised service, lack of weekend service, limited recycling options
- Understand the local market opportunity and competitive position and develop a well thought through sales and marketing plan appreciating that it’s a hard market to grow in at the moment.
- Be prepared to defend business aggressively to prevent leaky bucket syndrome – it costs 10 times as much to acquire a new customer as to retain an existing customer
- Pull all this together in a “make or buy” decision – either commit to the business, invest and commercialise it or be prepared to sell it for a capital receipt or (better) commission income stream.
- If you’re going to sell it, maximise the price through preparing the operation well for sale e.g. increase contract cover, eliminate excess overtime, price manage up

What gains can you expect?

- It varies, but financial gains of c. 15-20% of gross income are not unrealistic in IE’s experience through a robust, comprehensive efficiency programme drawing on the best practice in the market.

How can Improvement East help?

- IE has substantial experience in working with local authorities to deliver such trade waste improvement / commercialisation programmes. Typically our role is to act “hands on” as an expert, critical friend to challenge existing practices and we always seek to leave a legacy by transferring skills to the in-house team.
- One example of this is Luton Borough Council and you can read more about our work there in this [case study](#).
- As part of its open access support programme, IE offers a free 1 day sounding board session to any partner authority seeking to improve / commercialise its trade waste operation. All you have to do is have an open mind and provide some simple standard data in advance.

For further details on this, or for an open discussion on any other environmental service issues, please contact:

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