



Lower Price? Rate Survey Based on Bad Information.



Background

The Minnesota Pollution Control Agency has published, and is promoting, a report that draws conclusions using limited information and statistically inconclusive data. The report wrongly concludes that having more government involvement and less choice in solid waste management will benefit Minnesotans. **Consumers know they get the best value when they choose their waste collector without government interference.** Don't be fooled by a government promise of lower cost, especially when it is based on faulty information.

In the report, MPCA concedes that their data is statistically invalid, but they continue to promote their findings from these results as legitimate. Buried in the fine print of the report they admit, "It should be noted that this survey (of garbage rates) was not a scientific process with random sampling. Also, there are many variables that affect pricing." This document explains some of the shortcomings with the data and the survey findings.

Sample Set Small & Biased

Too little data was used to make accurate statewide conclusions. The State of Minnesota has more than 2,000,000 households; yet, only 151 data points were used in the report. In Minnesota, where consumer choice is the tradition, this reliance on limited data does not value a homeowner's right to select a service and rate package that best fits their personal needs.

- 97 data points from the customer driven competitive market (65 percent of the total), and of these, **46 percent were from just one city (St. Paul).**
- 54 data points from government controlled collection cities (35 percent).

Bad Information

More than 50 percent of the data on the competitive market is not supported by actual invoices, and a cursory review of the data showed many errors.

- The single data point in Roseville (customer driven competition) includes yard waste service; however, prices for government managed service do not include yard waste service.
- In Otsego (customer driven competition), the data point was checked against customer's actual invoice, and the reported rate was overstated by more than 50 percent.



Since the banning of burning barrels back in the 70's, the private hauling industry has stepped forward to service the needs of Minnesotans. We believe citizens recognize this value and think it is unfair for government to take over the businesses that have been built on this tradition.

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- Throughout all service levels numerous mathematical and transcription errors were clearly evident: incorrect tax rates, charges for recycling not included and surcharges for yard waste service included in garbage rates.
- A review of the customer surveys showed most were completed by government employees and government-paid consultants. This could create a bias in favor of government controlled systems.



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Apples to Oranges Comparisons

The authors of the report failed to use even the simplest of statistical techniques to insure data integrity.

A lower average tax rate is used in government managed examples.

Service System	Average Tax Rate in Survey
Open Competition	27.41%
Government Managed	16.78%

Impact: The difference between the two systems is overstated by 37 percent (10 basis points).

Final disposal cost varies greatly among cities surveyed.

For example, when comparing the customer driven, competitive market of Rochester with the government controlled city of Blaine, the consultant did not adjust for the fact that disposal is 114 percent higher in Rochester. If disposal is “normalized” the true difference is shown below:

90 Gallon Service	Reported Monthly Rate	Disposal Rate Per Ton	Avg Lbs Month	Disposal Cost Per Month	True Rates for Comparison
Rochester	\$24.80	\$83.00	167	\$6.92	\$17.51
Blaine	\$14.98	\$38.75	167	\$3.23	\$13.65
Difference	\$9.82			\$3.69	\$3.86
% Different	66%			114%	28%

Impact: The difference in the 90 gallon rate is overstated by more then 60%.

The range within the data points, especially given the small data set, is not statistically acceptable.

A standard deviation analysis was not performed resulting in data points clearly outside an acceptable range to be included in the average. The table below shows the simple average used in the report does not correctly represent rate in the market. The simple average used in the report does not correctly represent the data.

Service	Customer Driven			Government Controlled		
	Low	High	Range	Low	High	Range
30 Gallon	\$11.33	\$43.25	\$31.92	\$8.74	\$21.64	\$12.90
60 Gallon	\$9.60	\$52.22	\$42.62	\$8.27	\$24.01	\$15.74
90 Gallon	\$16.03	\$39.08	\$23.05	\$14.98	\$35.00	\$20.02

Impact: The simple average used in the report does not represent the market.

Some Facts to Remember

- Garbage and recycling service is always customized to a community.
- Factors affecting pricing include: taxes, disposal, geographic density, customer requests, required equipment, and service levels.
- To make a proper comparison of rates each of these factors must be considered and normalized against each other.
- Despite costing over \$145,000 writing and promoting this report, the MPCA report fails to give us accurate information.

NSWMA represents for-profit companies in North America that provide solid, hazardous and medical waste collection, recycling and disposal services, and companies that provide professional and consulting services to the waste services industry. NSWMA members conduct business in all 50 states.