



Best Practices in Wood Waste Recycling

Establishing a Contamination Penalty Structure

Material: Wood Waste

Issue: *Wood-waste processors must ensure a clean supply of raw material to produce a marketable end product. This need must be balanced against the need for a tipping fee (receiving charge) that is competitive with other local options for recycling or disposal. Contaminated loads brought to a processing facility affect the marketability of the end product, and incur additional costs to remove the contaminants. Some facilities reject any load that contains contamination. Others apply a penalty surcharge reflecting the higher processing costs and lower value of the end-product. Facilities that apply a penalty surcharge believe that taking the contaminated load is beneficial to customer relations and might also increase the supply of incoming material.*

Best Practice: This Best Practice recommends the use of a surcharge (contamination penalty fee) for loads that are slightly contaminated. This practice allows the use of a base tipping fee (receiving charge) to remain competitive, while providing an incentive to bring in clean materials. Highly contaminated loads should be rejected.

Implementation: The degree and type of contaminants acceptable to a facility depends on the processing equipment, labor costs, market(s), degree of competition for supply. The following factors determine whether a facility establishes a penalty surcharge or completely refuses contaminated loads:

- The ability to economically clean the loads, and
- The availability of markets for processed material containing higher levels of contamination.

If a facility meets the above conditions and would like to implement a penalty surcharge, there are several methods for determining the amount of the penalty surcharge and the conditions for its use. To set the amount, a processor should evaluate their cost to handle the contaminated material—similar to the method used for the base tipping fee. Typically, the penalty surcharge is calculated by subtracting market revenues from processing costs plus a reasonable profit. A variation of this approach is to apply the difference from the additional cost to remove the contaminants and the anticipated lower market revenues to the base fee. Either method should include the cost to properly dispose of the contaminated materials. Penalty surcharge fees are sometimes as high as two to three times the base fee. One facility charges an additional \$25 per ton based on a \$10 per ton base fee.

Establishing a penalty surcharge is also useful in dealing with the amount and type of contamination. Some contaminants are more acceptable than others based on the facility's processing equipment and existing markets. For example, plastics are a major problem for high-value pulp and paper markets but are less of a problem for thermoplastic composites and hog fuel markets.

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The penalty surcharge fees should be posted at the point of entry where the incoming load could be visually inspected. This inspection should be conducted while the material is still in the truck or container. However, there is also an argument for inspecting the load after it has been dumped. The contents might be difficult to assess while in the truck or container. If the facility also offers other services such as hauling containers from construction sites or other customer's sites, a visual inspection should be conducted before the container is removed from the property. The customer should be informed of the penalty surcharge before hauling the container.

How facilities handle customers who repeatedly deliver contaminated loads depends upon whether the facility's operator is most interested in increasing supply, fully covering operating costs, or maintaining a relationship with the customer. Those who continually deliver contaminated loads after being warned of the problem should be refused entry into the facility until they are willing to "clean up their act." However, this extreme measure should be taken after a specific number of contaminated loads occurred over a specific period of time. The number of occurrences and time might vary from one customer to another. A customer providing a significant amount of business to the facility (several loads a week) might have more occurrences of contaminated loads. If the penalty surcharge covers the additional expenses and maintains or increases the supply, then taking the extreme measure of refusing to do business with customers delivering contaminated loads is not the best response.

Benefits: The benefits of using a contamination penalty include:

- Maintaining a working relationship with a customer who may only occasionally bring in "bad" loads.
- Sending a clear signal to customers defining what is acceptable material.
- Increasing supply to the processing facility.
- Providing additional revenues to offset the higher costs or lower market value of contaminated material.

Application Site: Processing Facility.

Contact: For more information about this Best Practice, contact CWC (206) 443-7746, e-mail info@cw.org.

References:

1. CWC Focus Group on Recycled Wood Waste, December 9, 1996.
2. Rick Hlavka, Green Solutions, South Prairie, WA, (360) 897-9533.
3. Dan Walsh, NW Wood and Fiber Recovery, Troutdale, OR, (503) 667-1912.

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