KEYSTONE environmental solutions

WHITE PAPER 03

Breaking the Escalator: How to Control Annual Waste Rate Increases

How waste contracts allow prices to climb year after year, and the contract terms that put a ceiling on them.

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Key takeaways

- Most rate increases are allowed by clauses in your own agreement, often ones nobody read closely at signing.
- Increases usually arrive quietly, on an invoice or in a notice letter, and are paid without anyone checking them against the agreement.
- Compounding matters: on a $24,000 annual bill, 15% yearly increases cost $29,000 more over five years than a 5% cap.
- A capped annual increase, fixed fee schedules and someone responsible for checking every increase are the most effective protections.

Where increases come from

Commercial waste agreements almost always allow the hauler to raise prices during the term. The clause may tie increases to an index such as the Consumer Price Index, set a fixed annual percentage, or simply allow increases for rising costs at the hauler's discretion. The last kind is the most dangerous, because there is no practical limit.

Increases also arrive through fees. A new environmental or regulatory recovery fee, a higher fuel surcharge percentage, or an administrative fee can raise the total bill even when the base rate stays the same.

Why increases go unnoticed

Most rate increases are never announced in a way that gets attention. They show up as a short notice printed on an invoice, a letter sent to whoever signed the original agreement, or simply a higher number on next month's bill. Accounts payable sees a total that looks about the same as last month and approves it.

The problem grows with every location. A single increase at one site is easy to overlook. The same increase applied across a portfolio of stores, offices or properties adds up quickly, but no one sees the combined effect, because each invoice is approved on its own.

Ownership is the other gap. Waste spend often sits between facilities, operations and accounting, so no one is responsible for checking each increase against the agreement. Increases that exceed the contract, arrive more than once a year, or apply to fees as well as base rates go through without question.

	PER LOCATION	ACROSS 15 LOCATIONS
Monthly service before the increase	$1,500	$22,500
A 10% increase, per month	$150	$2,250
Added cost over a year	**$1,800**	**$27,000**

Sample figures for illustration only.

At $150 a month, the increase barely changes any single invoice. Across 15 locations, it is $27,000 a year, and it becomes the starting point for next year's increase.

What compounding does to a budget

Annual increases compound. Each year's increase is applied to a price that already includes last year's. The table shows a sample location that starts at $24,000 a year ($2,000 a month).

ANNUAL INCREASE	YEAR 1 COST	YEAR 5 COST	5-YEAR TOTAL
3%	$24,000	$27,012	$127,419
5% (Keystone cap)	$24,000	$29,172	$132,615
8%	$24,000	$32,652	$140,798
15%	$24,000	$41,976	$161,817

Sample starting cost for illustration. Each year's increase applies to the previous year's price.

At 15% a year, the bill in year five is 75% higher than in year one, and the five-year total is $29,202 more than with a 5% cap. That is for a single location.

Contract terms that keep increases under control

1. **Cap annual increases.** Set a firm ceiling on any yearly increase. Keystone negotiates a maximum of 5% for its clients.
2. **Fix the fee schedule.** List every fee and its percentage or amount in the agreement, and require written agreement before any new fee is added.
3. **Define the fuel surcharge.** Specify how it is calculated and what base it applies to.
4. **Limit how often prices can change.** No more than one increase in any 12-month period, with written notice in advance.
5. **Assign an owner.** Make one person responsible for reviewing every price change notice and invoice increase across all locations.
6. **Include service standards.** Give yourself the right to remedies, or to leave, if missed pickups and service failures continue.
7. **Keep a contract calendar.** Track the date and amount of every scheduled increase for every location.

How Keystone helps

Keystone uses the buying power of a few thousand client locations to negotiate below-market pricing, and as part of every negotiation we limit yearly rate increases to no more than 5%. We review every rate change a hauler tries to pass along and stop the ones the agreement does not allow. Your hauler and service levels can stay the same if you prefer; the difference is that someone is watching the price.

Get your free savings analysis

Send us your most recent waste invoice for all locations. We will compare your pricing with similar Keystone clients and review our findings with you within 48–72 hours.

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