

Your Firm Could Be Paying for Plummeting Recycled Paper Costs

You work with a paper shredding company that provides routine, secure document destruction. The company arrives as scheduled, empties your bins and consoles, and in most cases shreds the paper on-site at your loading dock. When the last container is shredded, the truck drives off to its next stop.

Have you ever wondered, “what happens to all that shredded paper?” The answer might surprise you, and it can have a significant impact on your firm’s shredding invoice.

Shredding is a unique industry. Shredding companies get paid twice: once (by you) for service, and the second time by the recycling company when the trucks are emptied at their facilities. That payment is referred to as the “backend.”

Recycled paper is a commodity, and the price fluctuates due to international market conditions. Regional shredding companies benefit from an up market, but since they don’t depend on the backend payoff, they do not suffer from a down market.

Large global companies rely heavily on the backend – it’s what allows them to aggressively bid on highly competitive national and international government, corporate, and military contracts. The backend is what makes these contracts profitable.

In the past 12 months shredded paper recycling rates have plummeted. In August 2018, shredding companies were earning \$180.00 per ton for shredded paper. By August 2019, the rate had dropped to \$90 per ton – a 50% decline.

The deep decline of backend revenue presents a huge problem for the global shredding companies. On a recent stockholder earnings call, one international shredding company told their shareholders that the declining rates will cost them \$30,000,000 per quarter, or \$120,000,000.00 this year.

How do you make up a **One Hundred and Twenty Million Dollar Deficit** and keep your shareholders happy? You raise your rates and your fees. Per the company website, August invoices for the above company will include these additional fees:

Recycling Recovery Surcharge	7.8% (As of 8/1/19, this rate may vary due to market conditions).
Fuel Surcharge	11.5% (Standard monthly fee, rate may vary based on fuel costs).
Environmental Surcharge	4.0% (Standard monthly fee).
Total Fees	23.3%

Imagine the client reaction if you tacked on an extra 23.3% in fees. If you are under a national contract, consider what that 23.3% means firmwide. There are networks of AAA NAID Certified shredding companies that can provide national service at regional rates.

Please check your August invoice. If you want to avoid the frustration of added fees, consider working with a regional shredding company that is AAA NAID Certified, carries Downstream Data Insurance or an equivalent policy, and has responsive customer service and a representative that knows the legal industry and is responsible for your account.

Patriot Shredding is a proud and active Business Partner of ALACC. Please contact Courtney Lodico, Patriot Shredding's Director of Business Development, for additional information. You can reach her at 240-342-3483 or courtney@patriotshredding.com.