

FEATURE Toast of Texas

From an exotic game preserve to a demonstrated willingness to tussle with the big boys, Texas Disposal Systems is not your average small hauler.

BY Allan Gerlat, News Editor



SORTING IT OUT: Workers sift through recyclables coming to Texas Disposal Systems' (TDS) single-stream material recovery facility (MRF).

Giraffes. A landfill. Monkeys. A retail compost operation. An on-staff scrap artist. An eco-industrial park. A fundraising event center. Tigers.

Texas Disposal Systems Inc.'s 1,750-acre headquarters facility in Creedmoor, just south of Austin, is not your typical waste company operation. But it's all by design and it all fits together, says President and CEO Bob Gregory. "We don't have to run

a landfill in a way that's bad," he says. "You can run a landfill and operate at peace and harmony with the surrounding property owners."

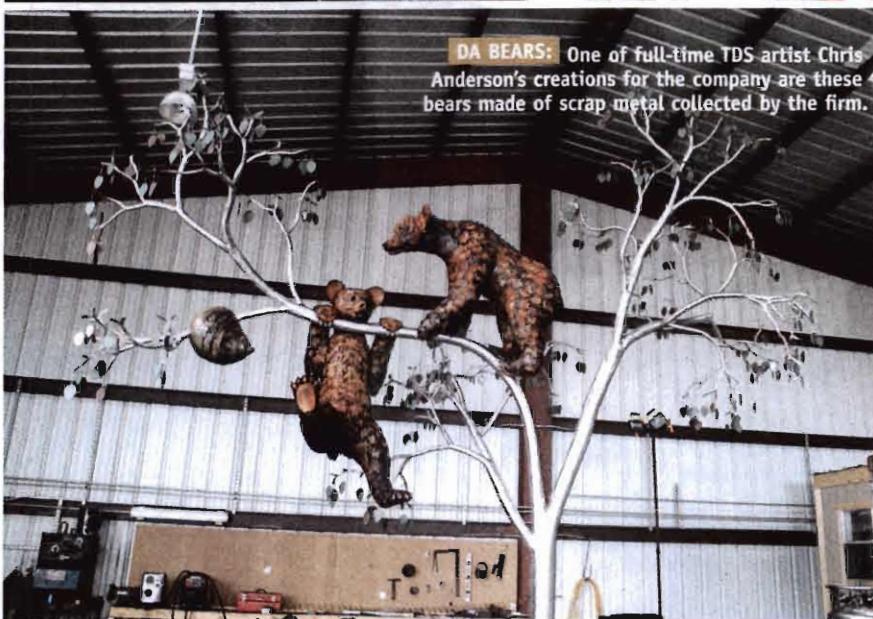
Started up by Gregory and soon joined by his brother, James, in 1977 with one truck and one account, Texas Disposal Systems (TDS) now has revenue just less than \$100 million and employs more than 600. James is co-owner, vice president and landfill manager. TDS provides waste collection for more than 91 cities in central Texas, 71 of which also use the company to collect recycling. It processes all the recyclables for more than 175,000 homes in Austin.

The privately held company handles landfill disposal for the cities of Austin and San Antonio. Last year the TDS landfill processed

Photos courtesy of Allan Gerlat.



KEEPING AUSTIN GREEN: TDS's MRF currently processes 100 percent of the recyclables for Austin, Texas.



DA BEARS: One of full-time TDS artist Chris Anderson's creations for the company are these bears made of scrap metal collected by the firm.

about 575,000 tons with almost 32 years of remaining capacity. The company also operates a two-year-old material recovery facility (MRF) that processes 300 tons per day of residential and commercial recyclables. The composting operation produces material sold under the Texas Organic Products and Garden-Ville brands.

In addition to Austin and San Antonio, the company has expanded into the Texas cities of Georgetown and Alpine. TDS' services also include construction and demolition (C&D) recycling, scrap metal recycling, green building consulting, carbon forestry development, alternative fuel production, disaster cleanup, greening schools and citizen drop-off and resale centers.

Starting From Seeds

Like many working in the waste and recycling industry, the Gregory brothers were born into the business. Their father, James Sr., owned a scrap yard that never had more than 20 employees. The volatility of the business made an impression on Bob.

"I wanted something more local, less susceptible to international market fluctuations," he says. "And that was the collection of waste and recycling."

Gregory helped put himself through college with an electronic scrap company he started called Texas Alloys. By the time he graduated from the University of Texas he had 10 employees and decided he wanted to diversify into solid waste collection.

As befitting his penchant for finding uses for old materials, Gregory hasn't cast

off his roots. He bought his father's company in 1984, still owns Texas Alloys and now operates their first account: a transfer station in the town of Bee Cave, Texas.

TDS started as a roll-off hauler. The Austin area has a lot of cedar and oak trees, so the company hauled a lot of brush. "I wanted to do recycling. I had a vague idea of what composting could be. I knew there was a product there. I'm always looking for ways to do something out of nothing," he says.

With the scrap metal business TDS landed a recycling contract with IBM, and that revenue helped the Gregory brothers buy equipment and build up the company over time.

In 1988 TDS got a permit not only for a landfill but also for a recycling and composting facility. It opened in 1991. It was the first permit on all three activities in the history of the state. TDS already had been grinding wood waste and composting and was well on its way to having an integrated facility. "We were using whatever resources we could rather than just landfilling it," Gregory says. "That has been our philosophy since day one. It just was slow getting the money to pay for it. Our family was a pretty poor family. And when you don't have much you can't borrow much."

Solid Waste Safari

Growing up, the Gregorys didn't have land. But they wanted some — specifically a ranch. They learned that the Texas legislature provided an agricultural exemption for commercial businesses that included animals as part of the operation. The Gregorys tried cattle but their facility was too small to make money. But the exemption also applied to exotic game animals. The idea clicked.

"We wanted to show our facility off, that we're doing composting, recycling, landfilling in a way that's not adverse to our neighbors. [The animals] will draw people out here. We'll have more fun."

And as the exotic game ranch grew, TDS began hosting more events and developed a large party center for the purpose. "Neighbors loved it. The city loved it," Gregory says. "Nobody had seen a situation in central Texas where people wanted to come to a landfill."

Now Gregory estimates TDS has up to 3,000 animals — they hide, he says, so it's hard to get an accurate count — and more than 100 species. And it's become a personal passion: In March, Bob and his family made another of his many trips to Africa, to hunt and view other game preserves.

The ranch currently is only open to private visits. Gregory says TDS is con-

sidering opening the game ranch up to the public, but that prospect is a long ways away.

TDS has been hosting non-profit events for 11 or 12 years, Gregory says, and those organizations combined have raised \$18 million. TDS offers the event facility at no charge to the organizations it chooses, which is about one in five that ask. He says they choose which organizations receive this treatment based on whether or not they would feel compelled to make a personal contribution to them.

While the ranch and events are near to the Gregories' hearts, Bob acknowledges that the ranch is particularly expensive to keep up, and brings in little revenue except for the sale of animals that are born on the facility. He says they are looking at adding commercial events to bring in more money. "We want to eventually make every part sustainable, to pay for itself," he says.

But in the meantime, there are financial pluses. "There's no question it benefits the business; people come out here that otherwise would never in a million years come out to a landfill." It's a combination of public relations, advertising, family philanthropy, good stewardship, "and a demonstration to the community of your commitment to operate the facility right," Gregory says. "We basically have an open house every day."

In a twist on the usual NIMBYism, the landfill's neighbors don't want to move even though TDS has made offers to buy. "It's got to be managed in a way that's not detrimental to the surrounding property owners," he says. "That is negative to my business. It's not sustainable if you're stinking up the neighborhood. That's huge to Jimmy and I."

Public Perception

TDS built its MRF in 2010, with some unintentional incentive from Austin. The city wanted to build its own MRF, and its city council decided it would cost \$72 million. TDS thought that was way too high, and built its own facility — for \$17 million — in 121 days.

Bob's son, Adam, spearheaded the project as TDS business development specialist, visiting other facilities to determine what would work best. The 107,000-sq.-ft. facility handles residential and commercial single-stream materials. The facility processes 90 percent of the material that comes in; the rest, Adam says, is contaminated and "mostly wasn't supposed to come in the first place." The MRF runs two shifts, with 40 people on a shift.

TALL TALE: TDS features an exotic game ranch at its headquarters site, featuring up to 3,000 animals.



Photos courtesy of Allan Gerlat

Adam hopes the TDS MRF will earn Leadership in Energy and Environmental Design (LEED) silver status. The facility features 174 skylights.

Open transport doors help keep the airflow regulated and the high ceilings keep the building from getting too hot, even during oppressive Texas summers.

On some issues, such as the MRF, Austin and TDS don't always see eye to eye. But city officials offer a good deal of praise for the company for how it operates.

"Their help in encouraging other businesses to recycle, encouraging the public about recycling, all the different things they're doing with reducing the waste that goes to the landfill has been helpful and moves us closer toward zero waste," says Jessica King, strategic initiatives division manager with Austin Resource Recovery, the city's solid waste department. The city hopes to develop other private-public partnerships similar to its relationship with TDS.

Austin is an event-oriented city, and King has been impressed with company's active role in those efforts. "They have their containers and they've been educating organizers about the proper way to recycle and compost at the events to divert as much material from the landfill as possible."

As Austin's grown and evolved, so has TDS, adds Tammie Williamson, assistant director for Austin Resource Recovery. "They've done an excellent job of looking at their policies and embracing Austin's policies," she says. "I think they've been a great business partner in that way."

TDS has 30-year contracts with Austin and San Antonio for landfill disposal, and a 20-year pact with Austin for recycling. Long-term contracts with municipalities are a key part of TDS' business strategy, Bob Gregory says. "You don't have to buy a company if you get a big contract." It's a model TDS would like to expand elsewhere in the country.

TDS processes 100 percent of Austin's

recyclables, but in October it will go down to 40 percent. Austin, a city in the center of a metropolitan region that totals 1.7 million, wanted a vendor that would help take over the recycling of the surrounding cities so Austin could get more revenue, Gregory says. TDS said no because it already held a lot of those contracts, so Austin hooked up with another vendor, Austin-based Balcones Resources Inc., to process 60 percent of its recyclables.

Adam Gregory says TDS hopes to eventually replace each ton lost in that transition, but acknowledges that it will take time.

It's symptomatic of what Bob Gregory sees as the "biggest single issue facing private operators in the nation: Can they survive without any control over their markets or will they be relegated to taxi cab operators," operating with strict controls exerted by cities.

Austin passed a bag law in March restricting the types of bags that retailers and customers can use. It's different than the city's initial proposal that banned most single-use bags and imposed a 25-cent interim bag fee. But Gregory says that and the recent waste flow control move in Dallas reflect a new attitude on the part of municipalities, fueled by a need to generate new revenue.

Bag bans are projected to be about recycling, he says, "but it really has nothing to do with recycling. It's just an excuse to do a money grab." Likewise, public zero waste goals often are about "using the public's consciousness of the environment with a little bit of guilt, how we must pay a fee to change our habits," says Gregory. "It's a different verse of same song from what Dallas officials tried to do." Eventually that could backfire and turn people off of recycling.

He agrees recycling is the right thing, both ethically and financially. TDS' MRF helps protect the company against market fluctuations. "I'm not driven by that number of what goes into the landfill," he says. "Frankly, I'm happy if that number continues to go down. Our goal is to make money from what material gets diverted. We make money by charging at gatehouse and doing something with it. Why would I want to landfill it if I can compost it?"

He believes companies like TDS can operate more competitively and cost-efficiently than the public sector. But they have to prove it. "If we don't raise the bar and show the public that they're better off with us than without us, they'll replace us."



BALE-FULL MRF: Bales of processed recyclable material await their destination markets at the TDS MRF.



THE REUSE "R": TDS' main facility includes a resale center where local residents can buy materials the company pulled out of waste it collected.

PHOTOS COURTESY OF ALLAN GERLAT

Family Guy

TDS has had its struggles with the private sector as well, including a 15-year ongoing lawsuit with Houston-based Waste Management Inc. In 1997 TDS sued Waste Management, claiming it made defamatory remarks about TDS when the two companies were competing for a landfill contract with Austin. In the fall of 2010 TDS won a \$25.5 million judgment. Waste Management is appealing the decision.

TDS also weathered litigation with Reading, Pa.-based Penske Truck Leasing Co. L.P. for nearly as long over some hazardous waste spilled by a company truck that Penske eventually cleaned up. "We've spent a lot of time over the past 15 years defending ourselves," he says. Asked about his biggest business disappointments Gregory says, "Waste Management trying to put sticks in our spokes has been one."

TDS remains a fiercely independent waste and recycling company. "We've never given financials to any companies. We have no interest in being bought, no desire whatsoever," Gregory says.

His intention is to keep it a family business. He has three children in the business; brother James has two. He says he has a great relationship with his brother. TDS is up front that it operates according to Christian values. Gregory believes that's reflected in the fact that both his kids and James' want to be a part of the business when they grow up. It's also reflected, he says, in the quality employees the company attracts. "The goal is not to grow per se, but grow with a quality of growth that were proud of and supports the business model.

"It's a good honest business," he says. "There should always be an opportunity for the little guys and the middle guys like us." ■

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