OVERVIEW:
Co. reported 3Q19 results.
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PRESENTATION
Operator
Ladies and gentlemen, thank you for standing by, and welcome to the third quarter 2019 earnings release conference call. (Operator Instructions) Please be advised that today’s conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, speaker Ed Egl, Senior Director of Investor Relations. Please go ahead, sir.

Edward A. Egl - Waste Management, Inc. - Director of IR
Thank you, Nora. Good morning, everyone, and thank you for joining us for our third quarter 2019 earnings conference call. With me this morning are Jim Fish, President and Chief Executive Officer; John Morris, Executive Vice President and Chief Operating Officer; and Devina Rankin, Senior Vice President and Chief Financial Officer. You’ll hear prepared comments from each of them today. Jim will cover our high-level financials and provide a strategic update. John will cover an operating overview, and Devina will cover the details of the financials.

Before we get started, please note that we have filed a Form 8-K this morning that includes the earnings press release and is available on our website at www.wm.com. The Form 8-K, the press release and the schedule for the press release include important information.

During the call, you will hear forward-looking statements, which are based on current expectations, projections or opinions about future periods. Such statements are subject to risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties are discussed in today’s press release and in our filings with the SEC, including our most recent Form 10-K and subsequent Form 10-Qs.

Jim and John will discuss our results in the areas of yield and volume, which, unless otherwise stated, are more specifically references to internal revenue growth, or IRG, from yield or volume. All third quarter volume results discussed are on a workday-adjusted basis. During the call, Jim and Devina will discuss our earnings per diluted share, which they may refer to as EPS, or earnings per share, and they will also address operating
EBITDA, which is income from operations before depreciation and amortization. Jim and Devina will also be discussing the planned acquisition of Advanced Disposal Services, which they may refer to as Advanced or ADS. Any comparisons, unless otherwise stated, will be with the third quarter of 2018.

Net income, EPS, operating EBITDA and SG&A expense results have been adjusted and projected 2019 measures are anticipated to be adjusted to enhance comparability by excluding certain items that management believe do not to reflect our fundamental business performance or results of operations, including costs incurred in connection with the impending acquisition of ADS and our related reduction of common stock repurchases from planned levels. These adjusted measures, in addition to free cash flow, are non-GAAP measures. Please refer to the earnings press release tables, which can be found on the company’s website at www.wm.com for reconciliations to the most comparable GAAP measure and additional information about our use of non-GAAP measures and non-GAAP projections.

This call is being recorded and will be available 24 hours a day beginning approximately 1 p.m. Eastern Time today until 5 p.m. Eastern Time on November 6. To hear a replay of the call over the Internet, access the Waste Management website at www.wm.com. To hear a telephonic replay of the call, dial (855) 859-2056 and enter reservation code 2572365. Time-sensitive information provided during today’s call, which is occurring on October 23, 2019, may no longer be accurate at the time of the replay. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of Waste Management is prohibited.

Now I’ll turn the call over to Waste Management’s President and CEO, Jim Fish.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Thanks, Ed, and thank you for joining us. In the third quarter, the fundamental strength of our collection and disposal business continue to drive positive results for the company, confirming that focusing on our employees and customers and leveraging our asset network is the right strategy. In the third quarter, we generated more than 5% organic revenue in our collection and disposal business with yield of 2.6% and volume of 2.7%. And we had a strong core price of 5.3%, which translated into total company operating EBITDA of more than $1.14 billion, an increase of more than 3% from the third quarter of 2018. We also saw operating EBITDA margin expand 50 basis points in the collection and disposal business, which translated into operating cash growing almost 9%.

As we reflect on the year so far and develop our plans for next year, a couple of trends are starting to come to light, particularly in our collection and disposal business. Our results across the solid waste business have been strong through the first 9 months of the year, but they’ve been particularly strong in our lines of business that are driven by the consumer portion of the economy: commercial collection and MSW landfill volumes. We have good visibility into these segments of our business, and all indicators are pointing to continued strength.

When we look at the portion of our business driven by the industrial segment of the economy, namely special waste, we continue to see growth. However, the pace of growth is starting to moderate. We’re starting to see generators take a more cautious approach to awarding new work. We still see our special waste pipeline as strong, and we’re in a solid position to capitalize on these jobs as they occur based on the long-term relationships we build with our large, industrial customers and the strength of our asset network. Overall, our collection and disposal business has performed exceptionally well in 2019, overcoming headwinds in our commodity-sensitive business: recycling and renewable energy. The results in our commodity-sensitive businesses, which make up less than 10% of our total revenue, have been below our expectations. We’ve discussed all year these historically low recycling commodity prices, but we’ve also seen a negative $18 million impact in our operating EBITDA plan through the first 9 months of the year related to renewable and natural gas credits. We remain convinced that our strategy to close the loop between our landfill gas and CNG fleet is the right strategy and is an important piece of our commitment to drive sustainability within our operations.

The good news is that the steps we’re taking to transform the recycling business with restructured fee-based contracts and investments in technology will insulate the business from commodity price swings, and we’re starting to see results. We saw a 320 basis point improvement in contamination rates at our single-stream MRFs in the third quarter. On a technology front, we began running test material through our MRF of the future and are encouraged by the results. At multiple other facilities, we’re testing robotics, advanced optical sorting technology and improving the screening processes. We continue to expect meaningful operating cost savings from these advancements in technology while also creating the best-quality material for sale through positive sorting processes.
Finally, I'd like to provide an update on the progress we're making towards the ADS acquisition. As we mentioned last quarter, we continue to make progress towards closing this transaction, and we remain on track to complete the acquisition during the first quarter of 2020. As you might imagine, we received a high level of interest from other companies inquiring any potential businesses we might be required to divest. Our integration team continues to position us to successfully integrate ADS upon close.

Overall, we're pleased with our performance in the first 3 quarters of the year, which positions us to achieve our full year goals. The general macro economy seems to be stable as indicated by our strong price and volume growth with consumer spending steady, while the industrial segment seems to be taking more of a wait-and-see approach. The overall investment theme for Waste Management remains one where our solid waste business continues to produce excellent results and overcomes challenges in our commodity-based businesses. This is best demonstrated by our 7.8% year-over-year operating EBITDA growth in our collection and disposal business and our 8.9% year-over-year growth in our net cash from operations. The strong results position us to deliver our full year 2019 results.

In closing, I want to highlight another accomplishment in the quarter that we're particularly proud of. For the second year in a row, we were named sector leader for commercial services on the North American and World Dow Jones Sustainability Indices. This distinction is a reflection of our leadership in sustainability and the continued strides we are making in these areas.

And with that, I will turn the call over to John.

John J. Morris - Waste Management, Inc. - Executive VP & COO

Thanks, Jim, and good morning. We're pleased with our third quarter performance driven by organic revenue growth of 5.3% in the collection and disposal business. The headline here is that landfill MSW yield in the third quarter was 3.7%, a 250 basis point improvement over last year. And if you look at the monthly trend of MSW yield, the highest month in the quarter was September, indicating continued momentum in this area. This has been a focus area for us, and we've made good progress in 2019 with year-to-date MSW yield of 3.6% compared to 2.2% for the full year 2018. This step change increase in pricing helps to overcome rising operating costs and generate appropriate returns on our high-quality, capital-intensive, post-collection assets.

We saw commercial volume growth of 3.2% for the quarter and continued MSW volume growth of 1.9%. We also continue to see service increases outpace service decreases in the third quarter, and net new business remained positive, all evidence of a healthy consumer economy. We've heard from some of our industrial customers that they lack visibility to commit to some event work. However, special waste volume growth of 4% in the third quarter is still healthy growth, especially given the tough comparisons from last year. C&D volume growth of 13.6% was largely driven by fire cleanup activities in California which wrapped up in August.

Looking at the recycling business, our blended average commodity price in the third quarter was just under $40 per ton, a decline a 40% compared to last year and a further 8% decline from the 10-year low reached in the second quarter, which led to an $86 million decline in our recycling revenue. Despite this precipitous drop, the steps we're taking to improve the recycling business held year-over-year declined to operating EBITDA to $7 million and EPS declined to about $0.01. In past years, an $86 million decline in revenue would have represented about an $0.08 to $0.10 decline in EPS. Mitigating this larger impact demonstrates the success we're having in restructuring contracts and assessing fees for contamination. Given our outlook for continued depressed prices in the fourth quarter, we continue to expect that full year results for recycling will be a $0.01 to $0.02 EPS headwind in 2019 compared to 2018.

Turning to operating expenses. In the third quarter, total operating costs as a percentage of revenue were 61.5%, a 50 basis point improvement over last year’s adjusted results as our operations continue to improve their efficiency and manage their spending as volumes increase. We are pleased with the improvements that we’re seeing in operating costs, particularly with the strong volume growth that we’re experiencing. We’ve been able to manage our labor costs through improved efficiency. And in areas where we have implemented our maintenance service delivery optimization program, metrics are improving. While we are seeing increases in the cost to serve our customers, we are focused both on managing these costs and recovering increases through pricing opportunities. Through the first 9 months of the year, our operations have performed well, and we expect that they will continue to have momentum through the rest of the year and into 2020.
I'll now turn the call over to Devina to discuss our third quarter financial results in more detail.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Thanks, John, and good morning, everyone. As Jim and John discussed, the strong performance in our collection and disposal business again translated into solid operating EBITDA growth. As we have seen all year, strong operating EBITDA growth, combined with our disciplined focus on improving working capital, has produced robust cash from operations. In the third quarter, our cash flow from operations grew about 9% to $952 million. Year-to-date, cash from operations as a percentage of revenue has improved 60 basis points to 24.6%. The strong cash flow from operations growth we have seen all year has positioned us to proactively increase our capital expenditures from planned levels. During the third quarter, we spent $483 million on capital expenditures compared to $404 million in the third quarter of 2018.

In 2019, we are benefiting from lower cash taxes for 3 reasons: first, a recently closed investment in low-income housing properties and resulting federal credit; second, benefits related to financing activities we completed last quarter; and third, additional benefits resulting from the filing of our federal income tax return. We are very intentionally investing these cash tax savings in our landfill, fleet and recycling business. We accelerated capital spending in the first 9 months of the year to position our landfills to respond to the higher-than-anticipated volume growth we have been seeing. We also made deliberate investments in our fleet, bringing the percentage of routed trucks running on natural gas to above 60% and increasing the number of automated side loaders in the fleet by about 9%. In addition, as we've completed design and construction of our MRF of the future, we've invested capital in a facility that we think will become the gold standard for sorting and processing technology. As a result of these intentional capital investments, we now expect full year capital expenditures to be above our guidance of $1.75 billion.

As Jim mentioned, we've invested in our renewable energy business to close the loop between our landfill gas and CNG fleet. Our capital expenditure guidance excluded the potential increase in renewable energy capital given the uncertain timing of the potential investment. Because pricing for RINs declined significantly in 2019, we didn't make as large an investment as we might have otherwise. Full year capital spending for renewable energy plants is expected to be between $35 million and $40 million for the year.

Moving to free cash flow. Third quarter free cash flow were $478 million. And year-to-date, our business has generated $1.349 billion in free cash flow. Despite the elevated capital spending during the first 9 months of the year, we expect to achieve full year free cash flow of between $2.025 billion and $2.075 billion as our rate of capital spending moderates and we realize much of the cash tax benefit that I mentioned earlier. In the third quarter, we used our free cash flow to pay $218 million in dividends and for $76 million in solid waste tuck-in acquisitions. Year-to-date, our acquisitions, excluding the pending acquisition of Advanced Disposal, total to more than $500 million. As we have previously discussed, given the pending acquisition of ADS, we have suspended our normal core share repurchases, other than to offset dilution from equity compensation plans. The share buybacks that we executed during the first half of the year was sufficient to offset dilution, and so we have not repurchased any additional shares since the end of our second quarter. There was a $0.02 impact to EPS in the first 9 months of the year from our reduced level of share repurchases compared to guidance, and we expect a $0.02 impact in the fourth quarter. These amounts are adjusted from our results.

Our effective tax rate for the third quarter of 2019 was 19.4%. The rate is lower than previously communicated due to tax credits generated from the recently closed low-income housing transactions and benefits resulting from the filing of our federal income tax return, which is typically recognized in the third quarter. We now expect our adjusted full year 2019 tax rate to be about 22%.

Our debt-to-EBITDA ratio, measured based on our bank covenants, was about 3.1x at the end of the quarter. The sequential increase in this measure from the end of the second quarter is related to additional debt financing we executed in the quarter to position us to fund the ADS acquisition. While the measure is trending higher as we approach the closing of ADS, it is within our targeted level. This is particularly impressive given that the measure does not yet have the benefit of ADS EBITDA. Our strong balance sheet continues to afford us the financial flexibility to pursue strategic acquisitions at the right price.

Turning to SG&A. For the third quarter, our SG&A costs as a percentage of revenue were 9.7%, an increase over 2018, primarily due to the planned investments we are making in technology. Year-to-date, SG&A as a percentage of revenue is 10.1%, on track to achieve our SG&A spending as a percentage of revenue guidance of about 10%.
We're proud of the results we've generated in the first 3 quarters of the year as we are positioned to achieve our full year goals. I want to thank all members of the Waste Management team. I know they are hard at work on continuing to deliver fantastic results in the fourth quarter and preparing for a great 2020.

With that, Nora, let's open the line for questions.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Your first question comes from the line of Brian Maguire of Goldman Sachs.

**Brian P. Maguire - Goldman Sachs Group Inc., Research Division - Equity Analyst**

Want to understand the gas credit headwind a little bit more. I think you called out it's a $0.03 to $0.04 headwind for the full year, so I translate that back to about $17 million to $22 million of EBITDA. Can you just kind of confirm that? And I think you mentioned maybe $8 million of it was in 3Q. I think you said $18 million was maybe the year-to-date impact, so just wondering if you can kind of confirm that. And then should we be thinking about a similar impact to 2020? Or will this kind of large impact be contained to a 2019 issue?

**James C. Fish - Waste Management, Inc. - President, CEO & Director**

Yes, Brian. Look, we really didn’t talk about it in the first quarter or the first 6 months, really, because it was $4 million, so it wasn’t really worth the discussion. You’re right. It was $8 million in Q3. We expect to be another $8 million, and we’re talking EBITDA here. In Q4, it’s -- interestingly, it’s something that we -- that’s been part of our business for a long time, and we’ve turned landfill gas energy forever. Mostly, it’s been in the form of electricity. We do have, just to give a little context here, 13 of these RNG plants that are owned by third parties. And then we have 3 of our own, soon to be 4. We’re building a fourth. We don’t have any additional plans to build further plants, but it strategically makes a lot of sense for us to do it because our fleet has gone from 40% CNG to 60% CNG in 2 years.

Regarding your question about what the expectation is for this in 2020, I would tell you that the front half of the year may see some challenges, just on a year-over-year comparative basis. But it’s awfully hard to really say with any kind of definitiveness here because, as you probably know, these rents credits are a bit of a political football, and they’ve been getting kicked around quite a bit this year. So here’s what I would tell you. I think we are much closer to the bottom than we are to the top. I mean when we -- these plants have really good returns. And then we started building them, we were kind of right in the middle of where RINs credit had been, somewhere in the high of $3. And we were kind of in that $1.85 at the beginning of this year. They dipped down to $0.50, maybe a little bit below $0.50 in August. And then it come back a bit to -- I think $82.50 was the last number I saw. So they are very volatile, and so it’s a bit hard to say what next year looks like. If I had to guess, I would tell you it’s going to be a little bit of a tough comparison in Q1 and Q2, and then it gets quite a bit easier in Q3 and Q4. We’ll know more as we get to February, and we’ll give guidance on that. Hopefully, we’re in a position where we don’t have to talk about it anymore because it becomes nonmaterial. It’s not really material, even with $8 million, but it’s just something we felt like was worth calling out.

**Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO**

I do want to clarify really quickly because you did mention the $18 million that we referred to in Jim’s prepared remarks, and that was relative to our plan where when he spoke to the $4 million that we experienced in the first half of the year combines with the $8 million in Q3, that was relative to prior year. So relative to plan, we expect this to be a headwind in the neighborhood of $25 million to $30 million relative to prior year. That’s more in that $17 million to $22 million range that you referenced.
Brian P. Maguire - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay. Very clear, makes sense. And just given all that, it's obviously impressive you're able to reiterate the guidance range for the year. But would it -- and I know you don't give quarterly guidance per se, but just would it be right to think about we're now probably moving into the lower end of that range?

James C. Fish - Waste Management, Inc. - President, CEO & Director

I think we're comfortable saying we're just going to be within the range. And we've looked at this 15 different ways and feel like it has -- we have the opportunity to finish in the middle of the range. We could finish in the low end. And if things really went right, particularly with special waste, we could actually finish at the high end of the range. So that's why we didn't change where we were going to finish. We just felt like we were comfortable with the range that we had given originally.

Brian P. Maguire - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay, great. And just last one for me before I hand it off. Just your comments on the industrial and special waste volumes slowing down a little bit. I guess that makes sense given the macro news. Can you just kind of remind us your exposure there as a percentage of kind of overall volumes? And is there a potential for that to drive overall volume to a negative number next year at this point? Or are you still kind of thinking preliminary that volume will be up a little bit next year?

John J. Morris - Waste Management, Inc. - Executive VP & COO

So Brian, this is John Morris. What I would tell you was as we looked at quarter-over-quarter over the last handful of years going backwards and we've had quarters that were negative and some that have been positive double digit. And we think of 4% special waste volume in Q4 on tough comps, we still feel good about that performance. There are certainly some puts and takes there. We don't need to go into detail. But what I would tell you is our pipelines are still healthy. And as Jim and I both commented, there's a little bit of a lack of visibility with some of our industrial customers. But again, we feel confident about where our pipeline is and where our volumes are through 9 months of the year.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. I mean historically, that 4% is kind of -- it's a number that moves all over the page. I mean when you look back 12 or 16 quarters, I mean, we've had some -- a couple of quarters that were as low as negative 3%, and we've had a couple of quarters that were as high as 18%. So it's a number that bounces around a lot. But with 4%, as John said, still pretty healthy, all things considered.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

And then one thing that I would point to on your point of relative contribution. As you look at collection revenue, our collection revenue for the quarter was $2.6 billion. Industrial, specifically, was $766 million on the collection side. And the part that we see variability in is a fraction of that, closer to more the 10% to 20% of industrial on the collection line of business.

Operator

Your next question comes from the line of Sean Eastman, KeyBanc Capital.
Sean D. Eastman - KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst

I guess the first one, I just wanted to understand kind of this dynamic where we saw CapEx come in higher than expected in 3Q. It does make sense that the strong volume growth needs to be matched with some capital investment. But given just kind of a lighter special waste visibility commentary alongside that, I'm wondering if -- I'm just wondering how things are shaping up relative to the kind of 2% volume trajectory that's built into the longer-term target, whether we're looking higher than that or below that at this point.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Sure. So I think the best indicator of volume expectations versus where we actually ended up, we started the year expecting volume to be around 2% for the enterprise. And instead, we've, through 9 months, produced 3.8% volume growth in collection and disposal. And in the current quarter, that was 2.7%. And so that really is the primary driver of the capital expenditure acceleration that you've seen in 2019, particularly in the landfill line of business. Landfill volumes are up in the current quarter 3.1% and 5.6% -- I'm sorry, 7.4% for the year-to-date period. So when we look at capital expenditures and what has driven our very proactive and intentional investment, it's been driven by the landfill line of business where that volume growth has exceeded our expectations.

Sean D. Eastman - KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst

Okay. And I might have missed this, but I'm not sure I totally understand why recycling was worse than expected in 3Q, just given that the underlying commodity basket seemed to have been fairly stable during the quarter. Just trying to understand the moving parts there.

John J. Morris - Waste Management, Inc. - Executive VP & COO

I think, Sean -- this is John Morris. I mean the prices were down sequentially -- or quarter-over-quarter by 40%. I think it was $86 million of price-related revenue decline, and EBITDA on that was only down $7 million. So we feel like that was a victory. We've done a lot to improve quality. Our residual percentage, as Jim mentioned in his comments, is down over 300 basis points. It's a combination of educating our customers and doing a better job in the plan of controlling quality. So we see that as a victory. It was $86 million. And as I said my comments, in the old model, that could have been $0.08 to $0.10 of a headwind. And instead, it was $0.01. So we view that as a positive.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

And I would...

James C. Fish - Waste Management, Inc. - President, CEO & Director

When we started the year, Sean, I mean, we were at kind of $65 on a weighted average commodity price basis, and we thought we could expect it to stay flat there because that was half of what had been the previous year. It obviously has not stayed flat. So in Q3, as John said, it was down again, not only year-over-year, but sequentially. It was down to $38, which is -- that's our weighted average number, so it's not a number you'd find anywhere. But still going from $65 to $38 and showing really only $7 million of decline was, we thought, as John said, a win for us in terms of our mitigation efforts.

Operator

Another question from the line of Noah Kaye, Oppenheimer.
Noah Duke Kaye - Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst

Just to pick it up there, to manage the recycling headwind there does appear pretty impressive, especially considering I think you lapped the implementation of the contamination fees this quarter. So I guess what I want to understand is, first, do the contamination fees cover all of your third-party contracted volumes? Or can you do more there? And then as you alluded to in your prepared remarks, how large of a lever do you see some of these technology investments and improving processing costs to improve EBITDA in the recycling line?

John J. Morris - Waste Management, Inc. - Executive VP & COO

So I'll start with the last part first. I think when you look at some of the investments we're making in Chicago and we're making around the rest of the assets around robotics, we could see, in Chicago, and particularly commented that operating costs, in particular labor, could come down as much as 40%. And I think in terms of the first part of your question, I mean, yes, we have lapping implementation of our battle against contamination and some of the other fees that we're assessing. But again, as evidenced by our results here in the third quarter, even though commodity prices continued to decline, we've been really successful on our view at closing the gap to what otherwise would have been, like I said earlier, $0.08 to $0.10 headwind on an EPS level.

Noah Duke Kaye - Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst

And so part of that improvement is that now that your contamination is lower, you're getting a higher-quality bail. And so you're just getting more value on a relative basis on what you're seeing coming into the MRF. Is that a fair way to put it?

John J. Morris - Waste Management, Inc. - Executive VP & COO

As I mentioned, we've done a nice job of holding kind of our gross operating cost per ton flat, and we're improving residual, which means we'll have more efficiency going through the plant. And it also speaks to the education process and that we're improving the quality coming in the front of the facility as well.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

I would add that while we have anniversaried the more significant steps to roll out the program, we are not at 100% run rate. And so some of what you saw in the third quarter was continued execution on that plan and applying it to more of our customer base, so there was some benefit of step change in the benefit, the battle against contamination and fee-based program.

Noah Duke Kaye - Oppenheimer & Co. Inc., Research Division - Executive Director and Senior Analyst

Okay. Maybe just to add one more question. You had a very tough comp this quarter on volume, and you still got this volume growth. But the comps get tougher next quarter. As you mentioned, you're lapping the California wildfire, a couple other special items. Can you maybe just talk directionally, I know it's short term, but how we should think about the fourth quarter volume cadence?

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. I mean when we look at our volume and we occasionally talk about what we're seeing in the current months, looks -- it's very early in the current fourth quarter but still looks reasonably good, looks similar to what we've seen in Q3, which is, as we said in our scripts, strong on those consumer-driven volumes, which are commercial and MSW, and then not as strong on the industrial side.

I think the big story here is, honestly, and this report is less about volume, because volume is reasonably consistent for us. It's less about volume. It's more about price, and it's more about disposal pricing. I mean you look at MSW and transfer station, and that's an area that we've talked a lot
about. And you guys have asked a lot of questions, which is, “Okay, yes. So you guys talk about it, but when are we going to see the results?” I think 3 consecutive quarters now of MSW yield above 3% and growing, right? I mean MSW yield this quarter, 3.7%. It was 3.6% last quarter, 3.4%. And then honestly, when I look back, trying to find a number that was above 3.7%, I could not find one for 10 years. I don’t know how far back it goes before -- since we last had a 3.7% MSW yield. But I can tell you, it wasn't after 2009. All the other books in my cabinet have been shredded, I think. So the 3.7% MSW yield is the big number, really. The volume number there, approaching -- is kind of 1.9%, approaching 2%. There was a little bit of volume that we moved out to a third party. Some of that will come back to us. So if you factor that in, we would have been around 2% in MSW volume. But again, the big news in this report is really about disposal pricing. Transfer station pricing was 3.3%. That’s on top of 3.4% last quarter. And then if you, again, and similar to MSW, you look back before that, there is not a number on the page in terms of transfer station yield that’s approaching those numbers. So I feel good about the volume, but what really gives me real cause for optimism going into 2020 is the fact that we seem to be getting our sea legs in terms of disposal pricing, and that is a big, big change from where we've been over the last decade.

Operator

Another question from Michael Hoffman, Stifel.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

So you almost stole my thunder because I was going to say why are we focusing so much time on volume, and let’s talk about price. So can we talk about core price by line of business? You talked about that occasionally, industrial, commercial, residential landfill?

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. I mean, look, I think core price, and John can tack on here. Core price was very strong. I think the core price number for commercial was 6.6%... 5.7%.

James C. Fish - Waste Management, Inc. - President, CEO & Director

5.7%, okay.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

So commercial core price of 5.7%. Industrial was approaching 10%. And residential, which we talked a lot about internally, is 4.5% for the quarter, which is a really good indication of our efforts to continue to price that part of our business effectively, which has certainly been a challenge in the past because of the indexing to CPI that we often talk about. But -- so you see real traction in each of the collection lines of business to price above and beyond cost inflation.

John J. Morris - Waste Management, Inc. - Executive VP & COO

And, Michael, this is John. I would add one thing. Obviously, we commented in the prepared remarks about what’s happening with margin expansion in the collection and disposal business, but I would point you to the residential line. When you see core price for the quarter of 4.5% 4 6% year-to-date and yield numbers in residential at 3.2%and 3.4% for the quarter and year-to-date. Those are numbers that we’ve been focused on. We’ve clearly had challenges moving that in the past. But when you talk about -- I know we're going to get into a prior question around CPI and the mix of how
we're -- what rate mechanism we're using. To me, that's a real good bellwether of the progress we're making in residential in terms of changing that model.

James C. Fish - Waste Management, Inc. - President, CEO & Director
Yes. I think, Michael, I mean, I know you've spent a lot of time with John. John has a lot of things on his plate as Chief Operating Officer, but one thing that he has really focused on is residential. And so he should be credited for a lot of work well done on that residential line of business, which has been a tough line of business for us over the last 5 or 6 years. And we're -- again, when you look at price, I think you're right. Yes, we can talk about the volume all day long, but -- and volume is okay. It's fine, as we said, but price is the news here. And I didn't say anything about residential price, but boy, he's right about that. That is a really good story for us on residential pricing, in addition to what we talked about on the disposal inside.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research
And your internal cost of inflation is still running somewhere between 2.5% and 3% net of productivity, so there is proof of the operating leverage. And the one number you didn't give me is the landfill core price, but that's proof of the operating leverage.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO
The landfill core price was 4% in the quarter. Transfer station was 3.1%, going to Jim's comments earlier about disposal pricing really being a bright spot for us in the quarter.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research
Right. And so, Jim, you've talked about in the past 16 of the 20th largest MSAs, big landfills, they're full every day. When you've -- and you see volume going by you. And when you think about that book alone, what do you -- what's the visibility on how many more years you can be doing this pretty well on the pricing at the disposal because you know this volume is going by you that it allows you to keep pricing until you finally reduce your own volume?

James C. Fish - Waste Management, Inc. - President, CEO & Director
I think it will be well outside of my career, and I'm not prepared to say what my career is going to be here. But it will be -- look, we're excited about core price for landfill, and that's 5.7% range and yields for MSW at 3.7%, the numbers we've talked about. But I would tell you this. As you just said, we have great assets here, and there's no reason to expect that we shouldn't be able to get those kinds of numbers going forward for the foreseeable future. This is not something where I look at and go, "Okay, yes. Good core price for 3 quarters, but this thing ends in Q2 of next year." No. I think this thing can go on for a long time, driving -- and by the way, it's not like we're -- I'm not expecting to get called from a senate subcommittee any time and be asked why are you throwing 15% on your landfills. It's 3.7% MSW, so it's not obscene at all. It's just really going to recovering cost and hopefully adding a little bit of margin expansion.

John J. Morris - Waste Management, Inc. - Executive VP & COO
If I would add one thing, Michael, one thing that we all paid particular attention to. Jim mentioned it. I mentioned it. It's not just the landfills. It's the network and the performance of our transfer stations improving is also another indicator of how well that network's performing.
Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

Well, it’s an extension to the gate. So by definition, it ought to be in line. If it’s not, then you’re giving it away at one end and trying to make it up the other.

John J. Morris - Waste Management, Inc. - Executive VP & COO

Exactly right, which is what we’re not trying to do.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

Right. Yes. Don’t subsidize the competitor. So let’s try and put volume to bed once. You all have an asset mix and geographic concentration that would lend itself to consistently producing a good volume number relative to a comparison because of the nature of that mix. Do you want to sort of refresh us on that, why we ought to remember that? And then put it into the context of volume -- your asset mix is positioned to naturally capture what you should get, and you’re well positioned to do a little bit better than the average.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

So I would say that what we tend to talk about, and you hit on it with the 16 of 20 largest MSAs having the best-placed assets in those markets. What that’s about is being well placed in markets that we see growth. And so at Waste Management, we spoke extensively on not just leveraging the best asset network in the business today but thinking about how we will be positioned to leverage that asset network over the long term. And where -- when you look at the North American economy, we see urbanization as a trend and one that is benefiting those well-placed assets.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. One thing I would add to that, Michael, is that we talked a lot about the investment we’re making in digital, and the digital team’s done a great job. And the reason we’re doing this is to differentiate ourselves. So we obviously feel differentiated with our asset network. We wanted to add a second form of differentiation, which is bringing a different digital approach to our customers, both internal and external customers. So a couple of examples here, we rolled out an open market residential tool probably a year or so ago, and now 40% of all of our new open market residential customers are going through that tool. It’s been very well received. The feedback from our customer base has been excellent. We think that 40% number will eventually go to a much higher number. In fact, it will -- in short order, I think it will be the majority, meaning over 50% of those customers that come in, will go directly through that new customer-facing digital application. The commercial tool, which rolled out only a couple of months ago, has -- it’s certainly a much lower number relative to that 40%, but it is growing at a fast pace. In fact, the last number that I heard was that we -- that, that number is tripling. So we think that in addition to having a really good, in fact, best-in-class network of assets, we are rightly spending dollars in the digital space to differentiate ourselves. So differentiates will not just be in terms of asset location, but it will be in terms of customer-facing technology.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

Okay. Devina, on the capital spending cash flow and all of that, can I wrap a ribbon around -- you said we would be higher than $1.75 billion, but you didn’t say what the number should be for us to model for the remainder of the year. So what should we be thinking about full year capital spending? And can you do 24% of revenues as cash flow from ops in the fourth quarter?

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Sure. So I’ll take the capital spending piece first. If you look at capital spending through 9 months, we are at $1.532 billion. So rounding out the back part of the year, we think that we’ll be around $1.8 billion. We’ve provided a range in our press release tables that shows $1.775 billion to....
$1.825 billion as kind of an indication of where we think we will end up. From a cash flow from operations perspective, that really is one of the best indicators of how we’re performing, and conversion of revenues and cash from ops is certainly a strength. And we are up 60 basis points through 9 months. I expect you’ll see us finish strong. And right now, every indication is 24.6% would effectively -- if we rounded out there, that’s a 70 basis point improvement for the full year.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

Okay. And to do that, you just have to do 24% in the fourth quarter, just to be clear? I mean you don’t -- it doesn’t have to improve from here? It just has to hold at the 24%.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

That’s right.

Michael Edward Hoffman - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Group Head of Diversified Industrials Research

Right. Okay. And then churn in the quarter, how is it compared to year-over-year and sequentially?

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Churn was 9.8% in the quarter. That’s a little higher than we’ve been, both year-over-year and sequentially, but it’s driven by national accounts losses that we were very intentional and disciplined about ensuring that we were pricing business that was renewing appropriately. And we’re satisfied that nonrenewals on those contracts was the right decision for us because it didn’t reflect pricing that was representative of our costs.

James C. Fish - Waste Management, Inc. - President, CEO & Director

I would say -- and year-to-date, that number is better by about 20 basis points, Michael.

Operator

Your next question comes from the line of Mark Neville, Scotiabank.

Mark Neville - Scotiabank Global Banking and Markets, Research Division - Analyst

Maybe if I can just ask pricing sort of another way. You’re obviously seeing very good pricing sort of across network. But perhaps maybe industrials -- maybe you’re not seeing but maybe is slowing a bit. Maybe some of the other macro could be slowing, but you’re doing -- making investments in the business. I’m just curious when you look to 2020, I mean, you’ve got good visibility, but I’m just curious if the bias you think is higher or lower from 2018 -- or 2019.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. So -- and you’re talking about specifically around industrial, the industrial side of business with respect to pricing? Is that right, Mark?
Mark Neville - Scotiabank Global Banking and Markets, Research Division - Analyst

Well, I guess industrial and the other parts of the business as well, industrial and consolidated.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. So let's tackle industrial first. I mean core price in industrial is really strong, I mean, almost 10%, 9.9%. And that translated into a strong yield as well of 3.8%. So that's for that line of business specifically. And then volume and industrial was maybe a little bit weaker than we might have expected. It was 1.2%. That's not anything to be hugely concerned about, but it certainly is not off the charts. I mean if you look back historically at industrial volume -- and by the way, industrial, we think of it as roll off. I mean it's called industrial. It's a little bit misleading because that's not necessarily all industrial-type customers. It's the roll-off line of business. 1.2% volume there was nothing to write home about but not anything that was super concerning. It was on top of sequentially 1.2% last quarter, 3.1%, 0.09%. So it's kind of on track with where we've been for the last 3 or 4 quarters in terms of volume. But again, the price side has been what's the big news for us, and it's almost every line of business, whether it's commercial. And if I walk you down the core price numbers, they are impressive: 5.7% for commercial, 9.9% for industrial, 4.5%. And we've talked about all these numbers today. So all of them show that we still have really good pricing power. A lot of it is in the differentiation that we talked about, whether it is in our asset network or whether it's in the digital or whether it's on the focus on the customer. I mean, it's the third thing that we really are doing differently from 2 or 3 years ago where we're really, really uber focused on the customer. So I would tell you that the health of the business is, as we said, still very good. And what we hear every day in the news is that the consumer economy is 70% of the overall. It's probably a light percentage for us. So 70% of our overall business feels really good from both a price and volume standpoint. The other 30% feels still very good but just a bit of a wait-and-see mode in some cases with respect to this event pipework. And hopefully, that answered your question.

Mark Neville - Scotiabank Global Banking and Markets, Research Division - Analyst

Yes. That was helpful. Maybe another on the recycling. I just want to understand the guide. I believe it's sort of consistent with what you said Q2. So it's not incrementally the 0.01. $0.02. So that would suggest I guess Q4, the headwind is about $0.03 year-over-year, if I'm interpreting that correctly.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

So yes. The benefit in the first half of the year was $17 million. And in Q3, it was a negative $7 million. So that implies that we think we've got about $0.02 worth of exposure in the back half, $0.02 to $0.03 effectively to get you to the full year guide of $0.01 to $0.02.

Mark Neville - Scotiabank Global Banking and Markets, Research Division - Analyst

Great. Right. And I guess similar to the RIN discussion, first half of next year is tough comps. So a bit of an impact first half next year as well.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

That's exactly right.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Yes. As you know, it's hard -- it's so hard predict that. I mean, it literally is -- it's gone from $0.50 to $0.82 in a period of 2 months. So -- and that kind of is the mirror effect from the first 6 months where we took a big slide. So to the extent that this continues to get knocked around politically, then we don't expect much. But we do expect that there probably will be some resolution on this, either as we approach or after the election. So yes, I would say it's probably safe to say on RIN pricing that the first 2 quarters are going to be a difficult comparison, and then it gets much easier as we get into the back half of 2020.
Mark Neville - Scotiabank Global Banking and Markets, Research Division - Analyst

All right. Maybe just one last one, just on the Advanced acquisition. Is there any sort of milestones or anything we can be looking out for, for the next few months sort of ahead to Q1?

John J. Morris - Waste Management, Inc. - Executive VP & COO

Yes, Mark. This is John Morris. I mean, honestly, similar to comments in the last quarter, I mean, we continue to work down the path with the regulators. We remain on track and feel good about our timing for Q1 of 2020. There’s nothing that we’ve seen to date that would cause us to amend that time line. But no, we still feel good about the track we’re on for Q1. I think in terms if you’re asking about a milestone, really, the next significant is to get -- is to clear HSR, and that’s what we’re working towards right now.

Operator

Another question from the line of Derek Spronck, RBC.

Derek Spronck - RBC Capital Markets, LLC, Research Division - Analyst

Just quickly on the coal ash. Any updates on the coal ash opportunity? And any changes in the EPA regulation there?

James C. Fish - Waste Management, Inc. - President, CEO & Director

Look, I would tell you that this is something we’ve talked about in the past. It looks like a great opportunity for us. We’ve got several -- John talked about our special waste pipeline, and that is included on our special waste pipeline. I mean there’s -- we’ve managed, I think, 33 million tons of CCRs for our electric utility customers. And so I think -- but we see this as a big opportunity for us. We talked a couple years ago about Duke Energy as being one of our customers, and I think that wrapped up earlier this year. But we still -- I think we have, John, a couple of RPs out there that I think we’re still on a wait-and-see mode on. And whether those kind of get -- kind of fall on the same bucket as our other special waste type customers where they are in wait-and-see mode, I don’t know because some of those, particularly by states, are almost a requirement in terms of getting those ponds cleaned out. So I don’t know that those are going to be as discretionary as some of our other special waste volume. But suffice it to say, we feel like we’re well positioned, whether it’s beneficial reuse, whether it’s management and disposal or just straight disposal at our landfills to take advantage of CCRs.

John J. Morris - Waste Management, Inc. - Executive VP & COO

I think that’s right, Jim. We offer a full suite of services for those customers, and that’s certainly why we’ve been able to gain some of the traction we have to date.

Derek Spronck - RBC Capital Markets, LLC, Research Division - Analyst

Okay. That’s great. Just moving on to the cost side. I mean we’ve seen tight labor markets. We’ve also seen some unionized disruptions at some of the peer firms there. What is the labor inflation looking like? And are you comfortable with the overall ability to attract employees into the firm?
John J. Morris - Waste Management, Inc. - Executive VP & COO

So, Derek, this is John. A couple answers there. One, we've talked a lot about turnover and the impact that that's had on the operation and our efforts around furthering our people-first efforts. The good news is we are starting to see some turnover moderate. Wage inflation is still higher than the average for overall inflation, but the good news is we're starting to see a little bit of moderation there. I wouldn't say it's not gone down significantly, but it's flattening out and starting to regress in certain markets which we're encouraged by. The fact that we're turning over as many people obviously helps as well. I think on the collective bargaining front, thankfully -- I mean we don't want to see any disruption in the industry. Thankfully, for us, we're not in the middle of any of those issues right now.

James C. Fish - Waste Management, Inc. - President, CEO & Director

No. I'd say one other thing because this is such an important topic to me. When we think about people, I mean, I've talked a lot about it, and it is the -- really, the core tenet of my kind of CEO-ship, if you will. So we set out 3 years ago to really change the culture here. We hired Tamla Oates-Forney about a year ago, maybe a little less, as a true world-class leader in HR. She has been running hard in the last 10 or 11 months, really changing -- helping me change the culture and helping us transform this. And we -- and she's doing some really innovative things along with her team. So we're super excited about the people side of our business. And while that doesn't necessarily show results on kind of a quarterly basis, it will absolutely show results as we get out into 2020, 2021 and beyond.

Derek Spronck - RBC Capital Markets, LLC, Research Division - Analyst

Okay. And just as quickly, quantitatively, could we -- does 10% SG&A costs as a percent of revenue, does that sound about right?

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Certainly for 2019, it's too early for us to look too far out because we're making those intentional investments, both in people, as Jim just commented on, but also in technology. And so not specifically speaking to 2020 at this point because it's too early for us to give that kind of guidance. But for 2019, we're confirming -- we expect to hit 10% of -- about 10% of revenue for the year. With commodity price pressure in the current year, that's certainly a little more challenging than we thought it would be when we started the year. But we're certainly happy with the cost control side of the equation.

Operator

The next question comes from the line of Jeff Silber of BMO Capital Markets.

Jeffrey Marc Silber - BMO Capital Markets Equity Research - MD & Senior Equity Analyst

Recycling, but I just had a one follow-up there. You had mentioned in your remarks about the fact that you've been going back to customers and trying to restructure your contracts with them. Can you give us some sort of order of magnitude, what percentage of those contracts you might be restructuring and where you are along on that phase?

John J. Morris - Waste Management, Inc. - Executive VP & COO

Yes, I think the -- a big chunk of the volume that we're addressing through those contracts is franchising municipal contracts, Jeff. We're -- I think by the end of the year, we should be 55%, 60% through those contracts. I will tell you, though, what's important to note, though, more broadly when you talk about Q3's recycling results of $86 million decline and $7 million of EBITDA, as commodity prices continue to move, we continue to address the relationship between us and the customers. But specifically to your question, we're about -- we're probably about halfway through
most of those franchise and municipal contracts. And as we spoke about in quarters before, those contracts generally run 3 to 5 years, some a little bit longer, some a little bit less. So it does take some time to work our way through those.

**Jeffrey Marc Silber** - BMO Capital Markets Equity Research - MD & Senior Equity Analyst

Okay. Appreciate the color. And I know you're not giving 2020 guidance. But just for our modeling purposes, what should we be using for tax rate next year? And also for capital expenditures, are you going to be within that 9.5% to 10.5% of revenues that you gave your long-term guidance or high end, low end of that. Any color would be great.

**Devina A. Rankin** - Waste Management, Inc. - Senior VP & CFO

Sure. On the tax rate side this year, we expect it to be at 24%, and we're finishing the year at about 22%. 1 percentage point of that has to do with the incremental low-income housing tax credit investment that we made. We do have some like amounts that are rolling off in the year ahead. So I would tell you that we expect next year to be in that 23.5% to 24% range. I can't put a fine point on it at this point.

But with regard to capital spending, for us, as I mentioned, landfill volume has been the driver of the current year. And while we aren't specifically pointing to expectations for landfill volume in the year ahead, when we look at MSW volumes as a really good indicator of that kind of long-term growth expectation, MSW volumes for the year are at 4.6%. And so while 9.5% to 10.5% would typically reflect our expectations for more like a 2% growth in volume. If we continue to see elevated landfill volumes above that long-term range of 2%, 2.5%, we'll have to consider whether or not 9.5% to 10.5% is representative of what's needed to support the business.

**John J. Morris** - Waste Management, Inc. - Executive VP & COO

I think the good news, Devina, is in the collection and disposal business, even though the CapEx isn't a little more intense showing up. Everybody commented that earlier on.

**Devina A. Rankin** - Waste Management, Inc. - Senior VP & CFO

Absolutely.

**Operator**

Another question from the line of Tyler Brown, Raymond James.

**Patrick Tyler Brown** - Raymond James & Associates, Inc., Research Division - MD

Devina, just want to talk cash taxes real quick. You noted cash taxes are going to be better this year. Wondering if you could give us what the cash tax as a percentage of the books will roughly be this year. And how do we think about that next year? Will it creep up?

**Devina A. Rankin** - Waste Management, Inc. - Senior VP & CFO

So through 9 months, we're at about 73%. I think that we'll finish the year closer to 70%. It will in that range, 70% to 75%, which is about where we expected when we started the year. So in spite of having a $75 million headwind at the beginning of the year on a year-over-year basis in cash taxes, given some of those benefits I mentioned, we think we'll be able to moderate towards the low end of that range. In the year ahead, we do expect cash taxes as a percentage of the book to increase. I don't specifically know to what level at this point.
Patrick Tyler Brown - Raymond James & Associates, Inc., Research Division - MD
Okay. So modest headwind, okay. That's helpful. And then, Jim, just -- obviously, the 3.7% on MSW yield is really positive. But I am curious, is it being driven by a specific geography or maybe even a few specific landfills? Or are we talking just really broad-based pricing?

James C. Fish - Waste Management, Inc. - President, CEO & Director
I don’t -- pricing, I don't think, is driven necessarily by a geography volume, maybe. I mean the volume has been a bit stronger in the south in those areas you might expect like Florida and Texas and California. But for pricing, I think it's pretty universal. I think we've done a good job across all of our disposal assets in terms of getting strong pricing.

Patrick Tyler Brown - Raymond James & Associates, Inc., Research Division - MD
Okay. That's great. And then just my last one, and, John, I hope you can follow me here. But if I was to break your recycling business maybe into 2 buckets, so basically where you own a MRF and you've got a third-party tipping and then maybe where you're hauling and tipping either at your own or another person's MRF. So maybe think about it those 2 ways. So basically, is it the situation that when you're taking in third-party volume into your own MRF, are you guys fully earning an adequate return on that line? And really the pain is in recycling where you sit in an old contract where you're picking up and hauling and taking it either internally or elsewhere? Is that the right way to think about it?

John J. Morris - Waste Management, Inc. - Executive VP & COO
Here's the way I would answer that, Tyler, is there are certain aspects of this recycling issue that would have been easier to address. Certainly, the open market commercial customers would be one. We kind of refer to that as Phase 2. Phase 1 is more about recycling material coming into our MRF. Where it does get more challenging is where we we're taking the recycling material to a third party or to use your phrase, stuck in a contract. That's what we kind of referred to as Phase 3 in our plan. And to an earlier question, we're about halfway through that process. But that is more the pain point than the first 2 areas that I referenced.

James C. Fish - Waste Management, Inc. - President, CEO & Director
Are you talking about basically the process to get our own material to our plants versus third party? Is that what you're kind of asking?

Patrick Tyler Brown - Raymond James & Associates, Inc., Research Division - MD
Yes. I mean, basically, it seems with the processing fees, it's easier if it's coming in from a third party. That's more addressable quickly. And believe me, I know all about your open market because you guys hauled for me. I'm in a resi subscription model, and you've changed my bill. So it's -- I see it getting addressed there.

John J. Morris - Waste Management, Inc. - Executive VP & COO
You're welcome.
Patrick Tyler Brown - Raymond James & Associates, Inc., Research Division - MD

Yes, yes. No. But my question is in those where you’re in a muni contract that maybe you can’t readdress at the moment and you’re bringing it in to a third party or you’re bringing it even into your own where you’re really feeling the pain. And so, John, when you talk about 50% to 60%, is it -- is that the entire book? Or is it just that third phase that you’re talking about?

John J. Morris - Waste Management, Inc. - Executive VP & COO

It’s just that third phase, Tyler. But in your point, you’ve bifurcated that one other time, meaning between we have those contracts we’re processing or picking up and processing ourselves, and then we have contracts we’re picking up. And for whatever the reason, we’re having somebody else process that. But that is that third phase, and that is the one that’s obviously got a longer tail on it in terms of working their way through all the contract terms.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

And to your point about returns, I think what’s really important there is it’s not just the MRF itself that we’re looking for the return on. We’re looking at the investments that we make in the truck and the driver in order to provide that benefit. And so it’s ensuring that we address that part of the business for the long-term returns and viability of recycling overall to get returns, not just on the MRF, but on the collection assets as well.

Operator

And the last -- next question comes from the line of Michael Feniger, Bank of America.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

Yes. Just I know you mentioned, Jim, I think California, you said, wrapped up in August. Can you just help us on the wildfires and the cleanup in the first 9 months? Is that close to like a $0.10 EPS benefit? I’m just trying to gauge how much that helped in the last 9 months.

James C. Fish - Waste Management, Inc. - President, CEO & Director

I don’t have the year number. The quarter number was a $9 million impact on EBITDA and a $10.7 million impact on revenues. So.

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

From an EBITDA perspective, it was ballpark $40 million for the year.

John J. Morris - Waste Management, Inc. - Executive VP & COO

I think what’s important there, Michael, this is John, is we’ve called out the wildfires, for sure, really unfortunate circumstances that we are obviously helping those folks clean up. But we kind of look at and we’ve commented before, we have kind of those puts and takes in the business, it seems like every year in different geographies. So it’s easy to strip out California. But to be -- in fairness, we could go back and look at year-to-date ‘18 and Q3 in ‘18, and there are some puts and takes there as well. So it is a little bit -- it’s hard to just say we’re going to strip out California from the math but not look at the past year. But as we’ve commented, we really haven’t adjusted a lot of that out because we look at that as kind of the way the business run year in and year out, and that’s been the historical experience we’ve had.
Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

Well, and to John's point on year in and year out, I do think it's worth commenting that the wildfire impact did start in 2018, and our fourth quarter of 2018 had about $12 million of wildfire impact in it. So when you think about the comps that we had in Q4, that's one of the items that we have our eye on.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

That's helpful. And then can you just -- can you remind us how much is CPI? And obviously, this year, CPI has trended lower. So I know this is more of a mechanical question, I guess. How does that impact the pricing? Or how do we think about in the second half of '20?

James C. Fish - Waste Management, Inc. - President, CEO & Director

I think CPI was -- I think it was 1.9% for the year. And our -- the economist that we use was projecting kind of about that, maybe 2% or 2.1% for next year. So if you look at it very tightly, it could be 10 basis points of help next year. But we're not really -- I think we'll probably bake in flat with CPI when we finalize our plan.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

Fair enough. And then just on my last one, just on recycling. I mean, obviously, it's been asked a lot. I'm just curious if we just take the price of your basket right now as of today, and I know there's a lot of moving parts, just run rate it, so we just can clear the deck here. Like what would the EBITDA and EPS impact be for 2020 given where the basket is right now if we just run rate it?

Devina A. Rankin - Waste Management, Inc. - Senior VP & CFO

So I think the easiest way to think about that, Michael, is if you look at, as I mentioned earlier, Q1 and Q2 of this year was a $17 million year-over-year benefit, and Q3 was a $7 million hit. And so if you think about where prices were at the beginning of the year, as Jim mentioned, at kind of that $70, $65 range versus where they are today, I think that's the biggest driver to that variability that I mentioned. So I think you can think of it in terms of aggregating the $17 million as risk and effectively then levelizing the back half of the year. So I would say it's about $20 million of downside running that into the first half of 2020.

Operator

Okay. And since there are no further questions over the phone, you may proceed. Thank you.

James C. Fish - Waste Management, Inc. - President, CEO & Director

Okay. Thanks. Just wanted to do a quick recap here because we're really proud of the numbers. In an economy that don't know what it is but I've heard is -- could be as low as 1.5% GDP for the quarter, maybe 2%. Just to kind of recap some numbers we talked about: 9% cash from operations growth; almost 8% collection and disposal EBITDA growth; revenue growth, top line of 3.8%, and that includes an $86 million headwind from recycling on the revenue side. And then overall, EBITDA growth of 3.1% and then all the price stuff that we talked about. And here's where I'm going to give the credit for this. We've got 45,000 employees out there that work really, really hard every day. (inaudible) said that if you're an investor, you should own a trash company. And, boy, I could not agree more with that. And I think the big reason for that is that no one in this industry works harder than the employees of Waste Management. And I would tell you that, look, as an industry, not just at Waste Management, but as an industry, this is such a hard-working industry. It makes me proud to be here.

So with that, I would tell you that the Astros need to work a little harder tonight, but thank you very much for joining us. Go Astros.
Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.