

Trash costs climb as carters recoup price war losses

Haulers stop rush
for market share;
rising dumping fees
a factor as well

BY PHILIP LENTZ

Commercial trash prices are starting to rise just two years after the dismantling of a mob-controlled cartel led to a dramatic decrease in trash costs for city businesses.

The price hikes are being driven by some of the national haulers that entered New York City when the cartel was disbanded. Industry experts say the firms are trying to recoup losses they suffered when they cut costs drastically in order to gain market share.

Many smaller local carters are following suit because disposal costs at waste transfer stations, which are owned by the national carters, have jumped in the last several weeks.

Most of New York City's 250,000 businesses once paid \$14.70 per cubic yard for trash collection—the maximum rate then allowed by the city. But the combination of indictments, city regulation and fierce competition drove prices down by between 30% and 40%. For some desirable high-volume Manhattan office buildings, prices dropped as low as \$5 or \$6 per cubic yard.

In recent months, though, carters and businesses say, prices have started to drift up to \$9 and \$10

for new contracts.

"Companies have gone back in to renegotiate some of the obvious losses they were taking," says Richard Fuller, a waste consultant. "Bids are coming in higher than they were a few months ago."

Two of the companies raising prices most aggressively are Waste Management Inc. and USA Waste Services Inc., which two months ago announced plans to merge. The price hikes do not appear to be related to the proposed merger, but analysts fear that a combined company could dominate the local market and drive prices still higher.

The two firms now control about one-third of the local carting industry,

while many independents either have been forced to sell or have been hampered because they haven't yet been granted licenses by the city's Trade Waste Commission.

"When a company reaches this level of control over both market and pricing, then competition inevitably declines,"

says Richard Schrader, director of Citizens Action of New York City, a consumer advocacy group. "There's definitely competition, but it's declining right now."

Analysts say some haulers are using usage surveys as an excuse to increase prices in the middle of contracts. The Durst Organization, for example, was told by its carter that its trash volume had increased 66% in one East Side office building,

See TRASH on Page 43

A merged
USA Waste
and Waste
Management
may raise
prices further

End to price wars sends trash costs up

TRASH from Page 3

even though it had just lost a major tenant. Its bill from the carter, Waste Management, jumped a stunning 266%.

"It's a little strange to have a 25% decrease in tenants and to have a 66% increase in (trash) volume," says Jeff Meaney, vice president of operations for Durst. He says he plans to cancel the contract and hire a new carter.

Industry officials acknowledge that in the competitive frenzy that followed the breakup of the cartel, they picked up many customers below cost—a circumstance they are now trying to change.

"There's no question that when we made an investment in the city, some of the accounts we acquired were not covering our costs," says David Sutherland-Yoest, vice chairman of USA Waste. "We need at the earliest convenience to remedy that problem and not service customers at a loss."

Supply and demand

The Giuliani administration, which lists reduced trash costs as one of its major accomplishments, downplays talk of price hikes.

"There may be isolated instances where a particularly low-price contract was entered into (that needs adjustment)," says Edward Ferguson III, chairman of the city's Trade Waste Commission, which regulates the industry. "But the overwhelming majority of contracts are lower than they have ever been, and we see no trending up."

A major factor behind the higher prices is a sudden boost in fees charged at city transfer stations, where most haulers dump their trash. These costs, called tipping fees, jumped 10% last month after two stations suddenly closed, one for regulatory, the other for economic reasons. Most carters, large and small, are passing those increases through to their commercial customers.

"It's supply and demand," says Joseph Marrone, vice president of Waldorf Carting Corp. "The fewer transfer stations involved, the more it costs."

What troubles observers is that Waste Management and USA Waste, in addition to having strong positions in the collection business, also control most of the city's transfer stations. Since smaller carters have little choice but to dump their

trash at these facilities, they are at the mercy of the two national firms, which are also their competitors on the retail side.

Regulation for tipping fees?

Waste Management—which owns the city's biggest facility, on Varick Avenue in Brooklyn—says it raised tipping fees because higher volume put a strain on existing personnel and because costs increased at landfills, where the company dumps processed trash.

"We have to handle more material with the same amount of resources, and we've responded accordingly," says a spokeswoman.

The Trade Waste Commission has begun to gather data to see whether transfer station fees should be regulated. City and federal regulators are also making the sale of some transfer stations a condition of approving the merger between USA Waste and Waste Management.

"It is expected there will be some transfer station divestitures in connection with any approval of the merger the commission might issue," Mr. Ferguson says.

The companies appear amenable to selling some stations. ■