

# NY trash compaction: Carters rush to merge

**BY ROBIN KAMEN**

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A shakeout is under way in New York City's tightly controlled garbage hauling industry, as trash carters reel from their first brush with competitive bidding.

With profit margins cut in half as local carters fend off the determined advances of national player Browning-Ferris Industries Inc., some of the city's largest haulers are joining the merger wave that engulfed many small concerns in the last six years. Consolidation is hastened further by new require-

ments for commercial recycling that could mean more business for companies that offer sophisticated sorting.

Allied Sanitation Inc. and Lehigh Carting Inc., both of Brooklyn, recently combined to form a \$100 million company that employs 750. In another partnership, paper hauler Vibro Inc. three months ago moved its 30 employees into the larger Brooklyn offices of Waste Management Recycling Inc.

Mr. N. Carting Corp., a \$2 million, four-truck hauler based in Greenpoint, Brooklyn, says it recently began negotiations with Allied Sanitation and Lehigh Carting. At least

a dozen other small and medium-sized companies say they are close to merger deals.

"The best way to fight the conglomerates is to link up with another local company," says Peter N. Toscano, secretary at Mr. N., a family business started 44 years ago.

About 300 haulers operate in New York City, down from 475 in 1988. Bill Kaiser, chief financial officer at Allied Sanitation, predicts that in the next five years the number of carters will be cut in half. Pressures on smaller operators will increase as Browning-Ferris moves to expand its base, through  
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new customers or acquisitions.

Philip Angell, assistant to Browning-Ferris Chairman William D. Ruckelshaus, says that the company views the acquisition market as too expensive right now because asking prices still reflect the high rates of old contracts. As new bids go out, prices are expected to fall dramatically and lower the value of the hauling companies.

Browning-Ferris has become dominant in other markets by buying existing companies. More acquisitions will be spurred as other national haulers, such as WMX Technologies Inc., enter the city—a certainty if the closely-watched Browning-Ferris performs well.

For many carters, the changes in the New York City market have been as welcome as a slap in the face. For nearly 40 years, since the city mandated that commercial enterprises hire private haulers, the garbage collection business has operated like a cartel, with territories

clearly defined and profits kept sky high. Law enforcement officials charge that the Mafia controls much of the private hauling industry, and through intimidation has maintained rates near the maximum allowed by the New York City Department of Consumer Affairs—\$14.70 per cubic yard of loose garbage. The rates are among the highest in the nation.

## Head on doorstep

Since Browning-Ferris entered the \$1 billion commercial market a year ago—early on, one of its executives found a dog's severed head on his doorstep—rates on bidded contracts have dropped an average of 30%. Allied, for example, in December won the World Trade Center route by coming in 75% lower than the existing hauler. (The contract had been held by Lehigh, Allied's merger partner. An allegation of collusion was investigated, but World Trade Center officials say they found no evidence to support the claim.)

But for all its influence on price,

Houston-based Browning-Ferris has taken few sizable accounts away from the local establishment. About half of its more than 100 customers, which include Lord & Taylor and the Hotel Inter-Continental, are large routes, says Mr. Angell.

"The haulers are coming in lower than BFI to keep them out of the big stops," says Richard Fuller, president of Great Forest, a Manhattan-based recycling and environmental consulting firm. "Breaking into the main core has been a little tougher than BFI expected."

Many of the city's waste removal companies are family-run businesses that own between one and six trucks. Fathers and uncles handle sales, sons and cousins ride the trucks, and mothers and aunts keep the books. Most lack the capital and the administrative expertise to expand on their own.

Their strength is their routes, and increasingly, they are beginning to accept overtures from Allied and other large, diversified companies that want increased col-

lections.

"A lot of companies have nice, solid businesses, but they're in neutral," says Mr. Kaiser of Allied. "They have to combine to grow."

## Tonnage shrinking

Beyond the price wars set off by Browning-Ferris and the new recycling rules, haulers have been adapting to shrinking tonnage along their existing routes.

The poor economy drove many companies out of business, leaving office buildings with empty space and less garbage to pick up. In an effort to bolster revenue, haulers are expanding the services they offer and the territories where they operate. They are courting more municipal business, and anxiously await the Giuliani administration's decision on whether to privatize more garbage services.

Vibro, which specializes in carting office paper in Manhattan, decided its best chance for growth was to link with a company that has a strong recycling operation.

"It made sense for us to merge

with Waste Management rather than spend the money to duplicate what they already had," says John Vitale, treasurer at Vibro. In turn, Waste Management is guaranteed more waste for its plants.

Many New York City haulers resent the local government's warm response to Browning-Ferris and its willingness to let the company subcontract pick-ups. The established businesses worry that Browning-Ferris will chase out small, local companies with low rates, then raise prices once it has the market in hand. The company, the second-largest solid waste hauler in the country, has been accused of such tactics before, and has settled multimillion dollar anti-trust suits.

"The potential for the purging of many companies in the area is there as BFI has come in," says Ernest Hoch, senior vice president at V. Ponte & Sons Inc., the largest hauler operating in New York City. "But will competition really be better where there are only 30 companies? I don't know." ■