

Where the Mob Ruled, Big Business Steps In

George M. Gutierrez for The New York Times

By **ROBERT WORTH**

ONLY a few years ago, organized crime had a tight grip on the trash-hauling business in the Hudson Valley. The Gambino and Genovese crime families literally divided the region into spheres of influence, keeping out competitors through intimidation and violence. With no one else to turn to, businesses and towns in Westchester paid some of the highest rates for garbage collection in the country.

Today that is no longer true.

'We've gone from 50 wise guys to five suits.'

Several of the men who dominated the business are now in prison, after pleading guilty in 1997 to racketeering, tax evasion, and other charges. In 1999 the Westchester County Legislature passed a law setting up

strict licensing procedures, including background checks, to bar any company with criminal ties. Since then 19 new companies have entered the market, and rates have dropped as much as 50 percent.

But in the vacuum created by the mob's departure, two national companies, Waste Management and Allied Waste Industries, now control 75 percent of the commercial waste hauling in the county, according to two consultants.

With their size and access to their own transfer stations and dump sites, critics say, the large companies have the power to price smaller competitors out of the market. Al-

ready, several independent haulers said they were finding it hard to stay in business.

"We've gone from 50 wise guys to five suits," said Barbara Fischer, a consultant who specializes in waste management issues for Great Forest, a private environmental services company in Manhattan.

Many businesses are still unaware of their new freedom, and some are afraid to switch to a new carter, Ms. Fischer said. That fear has benefited Allied Waste, which bought two of the formerly mob-affiliated companies and is by far the largest waste

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A trash hauler at work collecting garbage on a residential street in Pelham. Rates have dropped as much as 50 percent in the county since the garbage collection business is no longer dominated by organized crime.

hauler in the county.

In several Westchester office parks, leases dictate that tenants must use one of Allied's subsidiaries, despite the county's effort to ensure that all businesses would be free to contract with whomever they choose.

"They're reaping the benefits of the conspiracy even though they have no connection with the mobsters," said John Carney, a Pelham-based lawyer. He is bringing a class-action suit on behalf of county businesses to recover more than \$100 million from the companies and individuals that were part of the mob-backed conspiracy.

Unlike New York City, Westchester does not regulate the rates haulers can charge their customers, which makes it all the more important to ensure that there is competition to keep prices down, Ms. Fischer said. Even in the city, the power of the largest companies has become an issue, though the four largest competitors there control only 25 percent of the market, said Raymond V. Casey, the executive director of the city's Trade Waste Commission.

The imbalance between the large and small companies led Attorney General Eliot L. Spitzer to bring a complaint against Allied when it moved to buy the Suburban Carting Corporation in 1999.

"Allied's planned acquisition of the Suburban companies and the Galante companies would eliminate half of the major competitors in commercial waste hauling," Mr. Spitzer said at the time. "This antitrust violation would lead to substantially higher prices for consumers."

Last year, Mr. Spitzer's office announced a settlement requiring Allied to sell six routes in northern Westchester to a single company, so there would be a third major competitor in the county, and to guarantee that company access to its transfer stations in Mount Kisco and Mamaroneck.

The sale, which was supposed to take place within 90 days of the order, has not gone forward, and neither the attorney general's office nor Allied would comment on it.

Still, everyone in the business says there has been real progress since the days when the mob ruled.

From the late 1950's through 1997, the crime families dominated the hauling trade through the so-called "property rights system," whereby they or their affiliates agreed not to compete with each other and to keep all other competitors out.

Testifying before the Westchester County Legislature in 1998, Daniel A. Butchko, a special agent with the Federal Bureau of Investigation, said: "If a company that 'steals' a stop is not backed by organized crime, or if a mob-backed company tries to ignore the 'property rights' rules, it may receive warnings or threats. If these don't persuade it to give back the stop or pay compensation for it, the company may suffer damages to its equipment or even physical violence against the company's owners or employees."

In addition to locking out competitors, the mob-backed companies used "evergreen" contracts that renewed themselves automatically for five years if the customer did not terminate them shortly before the end date. Clients were also required to pay huge bills if they canceled a contract early.

The property rights system came to an end in 1997 with the successful prosecution of the Suburban Carting Corporation of Mamaroneck and 21 of its principals and subsidiaries, including several members of the Genovese crime family.

But the county wanted to end the property rights system for good. Modeling its efforts on New York City's successful 1996 law, the legislature created its own Solid Waste Commission to establish new standards and an open market.

With a staff of nine and an annual budget of \$1 million drawn from fees paid by carters, the commission shares information

with New York City's Trade Waste Commission. The principals of every carting company that applies to work in the county are fingerprinted, and those prints are sent to the state and the F.B.I. In addition, the commission does a background check using public records, with the assistance of KPMG Peat Marwick, the consulting firm.

So far, the commission has completed background checks on 40 out of 100 applications, and has rejected one carter, said Bruce Berger, the commission's executive director. The name of that carter has not been disclosed.

The remaining 60 companies continue to operate pending completion of the background checks, probably in March. The applicants include many companies that do recycling and handle construction waste, rather than ordinary garbage collection.

At least one of the people now operating in the county has been denied a license in New York City because of connections with organized crime.

Kenneth Cartalemi, the owner of a waste transfer station and recycling center in Peekskill, is also a principal in Global Recycling and Collection, which was denied a license in the city last year because Mr. Cartalemi had continuing business dealings with known members of organized crime, said Mr. Casey of the city's Trade Waste Commission. Mr. Cartalemi said that the association with an organized crime member was formed by his father, who started the business, and that he has broken off all contact with the man in question.

And a waste transfer station in Croton, owned by Allied, is on land owned by, among others, James Hickey. In the 1997 trial of James Ida, a high-ranking member of the Genovese crime family, a federal judge found "substantial indications" that Mr. Hickey had helped Mr. Ida launder money, though he was not indicted in that case.

Despite these lingering associations, the carting market in Westchester appears to be free of the strong-arm tactics that once reigned, and customers have benefited.

St. John's Riverside Hospital in Yonkers, which spent \$198 for every garbage pickup last year, is now paying \$125, said Kathy Smith-Bernier, the hospital's director of environmental services. So far this year, the hospital has saved more than \$6,000 compared with the same period last year, even though it produced 20 percent more trash.

The town of Yorktown, which contracts with a private carter to haul its residential garbage, sought competitive bids last year and cut its annual bill from just under \$3 million to just under \$2 million, said Patrick Lofaro, the town's superintendent of environmental conservation. The low bidder was the same company that has served the town for 20 years, Hudson Waste Haulage, which is now owned by Allied.

But a number of independent haulers said their ability to offer lower prices could soon disappear, because they cannot compete against the two giants that dominate the market.

"If the government doesn't step in, we're going to end up with just two carting companies, and it'll be back to the old days," said Ken Bibko, the sales representative for County Waste Management.

Waste Management, based in Scottsdale, Ariz., has less than 10 percent of the county's solid waste market, said Richard Geisser, a company spokesman. A spokesman for Houston-based Allied would not comment on the company's market share.

The problem is that all haulers depend on a limited number of transfer stations, where garbage is dumped before being trucked away for final disposal in an incineration plant or landfill. The larger companies own



their own stations and can charge competitors high prices to use them. Allied and Waste Management, which also operate in New York City, own out-of-state landfills and incineration plants, increasing their flexibility.

"We're at these people's mercy," said Michael Vetrano, the owner of Rogan Brothers Sanitation, in Yonkers.

Like other independent haulers, Mr. Vetrano can usually unload his trucks at the county's incineration plant in Peekskill, where the county charges \$53.78 per ton for disposal. Most of the space at the plant is reserved for the county, though there is generally some left over. (That plant is run by a subsidiary of Waste Management, the nation's largest carting company, under a contract with the county.)

But if he doesn't want to drive to Peekskill — a substantial expense over the long term — he must pay close to \$100 a ton to dump trash at transfer stations owned by other companies, including Allied and Waste Management.

And since the two large companies have access to out-of-state disposal sites, they can buy space at the Peekskill plant on the spot market when it is available. (The smaller companies, with no other options, cannot use the unpredictable spot market.) There the market rate varies, but can be as low as \$40 per ton — less than half of what the smaller companies now pay elsewhere.

In addition, Allied's tactics have been called into question by a number of businesses and other haulers.

Last year Suburban Carting, an Allied subsidiary, sent out a letter telling custom-



ers that despite the law, cancel contracts signed before Aug. 15, 1999, when the legislation was first passed.

That was untrue, said County Legislator Thomas J. Abinanti, who sponsored the law. The legislation is clear: customers were free to terminate any contract at will up until March 15, 2000, he said.

After several small carters and business owners complained, the County Legislature passed a clarification, and Allied sent out a letter correcting the misinterpretation, said Edward McDonald, a lawyer for the company. The first letter was sent out by Suburban without Allied's authorization, he added.

Still, some customers say they were left with the impression that they could not change carters. Robert Volpacchio, the owner of Mirabello's Pizza in Port Chester, was planning to switch when he received a letter telling him he could not.

"I don't know if it was a scare tactic or what, but I challenged them," he said. He had been paying Suburban \$260 a month, and another carter, County Waste Management, offered to do the job for \$149 a month. When Suburban heard about the new offer, they said they would match it.

"I said, 'I'll do it if you pay me back for all the time you've been overcharging me,'" Mr. Volpacchio said. Suburban declined, and Mr. Volpacchio signed with the new carter.

Allied also appears to be benefiting from an arrangement between one of its subsidiaries and Mack-Cali, the owner of four large office parks in Yonkers, Hawthorne and Elmsford, with a total of 55 buildings.

A number of tenants in those properties tried to save money by switching to a new carter, only to discover that their leases require them to hire Valley Carting, an Allied subsidiary.

"I had no choice, and based on what I've seen it's not right," said Pini Biron, a manager at Rokonet Industries USA, an alarm systems maker based in Elmsford. The company was paying about \$200 a month for garbage collection when another company

He signed a new contract, but when Mack-Cali found out it demanded that he stay with Valley, which lowered its price to \$175.

He said a Mack-Cali spokesman told him the provision was needed because having more than one carting company would create traffic and confusion. He dismissed that claim as "ridiculous," because no one has complained about trucks from various courier companies competing for business in the park.

John Nicholas, the operations manager for Mamiya America Corporation, had a similar experience.

"These guys have been overcharging us all these years and we have to stay with them?" he said. "Ethically, I wasn't comfortable with that, but Mack-Cali was very adamant."

Rick Matthews, a spokesman for Mack-Cali, denied that the company had any inappropriate arrangement with Valley Carting and said that it has reviewed the county law "and is confident it is in compliance."

He added, "If you're a landlord and you're arranging for tenant services to be delivered with the least possible intrusion, what do you prefer? One service provider."

Despite its problems, Westchester is much better off than it was in the days of Mafia rule, most carters agreed. One way to measure the progress, they said, was by looking at neighboring Putnam County, which has not undertaken any countywide reforms of the industry.

In Putnam, as much as 70 percent of the business is still controlled by James Galante, said Gordon Maxwell, the county's director of solid waste. Mr. Galante is a former partner of Thomas Milo, who pleaded guilty to participating in the mob-backed conspiracy in 1997, and Mr. Galante recently served a federal sentence for tax evasion.

Mr. Galante's companies still use the "evergreen" contracts that have been outlawed in Westchester and New York City. Many business owners there said they believe they are the victims of a virtual monopoly.

Tony Grecco, the owner of two diners in the county, said he tried looking for a new carter last year after his prices went up.

"I started making phone calls, but no matter who I called in the book, it's the same person," he said. He had changed carters several years earlier to avoid Mr. Galante, who had raised his prices. But Mr. Galante then bought the smaller carter he had chosen. This time, he found another small carter in Lake Carmel, and was planning to enter a new contract when he got a call from a representative of Mr. Galante.

"They told me, 'Forget about it, we bought them,'" Mr. Grecco said.

Mr. Grecco is now paying \$15 per cubic yard for his garbage collection, he said. The average rate in Westchester is \$8 per yard, and in New York City the maximum rate allowed by law is \$12.20 per yard.

"It's a monopoly, and the prices just keep getting higher," said Michael Skirianos, the owner of diners in Fishkill and East Fishkill.

Edward Beane, a lawyer for Mr. Galante, said evergreen contracts are legal and are used in industries besides waste hauling, including elevator service. "We zealously defend our contracts," he said.

As for prices, Putnam County has no transfer stations, so Mr. Galante's companies must haul the trash they collect to the transfer station Mr. Galante owns in Danbury, Conn. That is an added cost that is passed along to customers, Mr. Beane said.

But Mr. Vetrano of Rogan Brothers said his prices were much lower. "We're the only real competition that is in Putnam County," he said, and he has lost many potential customers because Mr. Galante sues them when they try to switch to another carter.

"How can I save our customers money," he said, "when they keep hitting us with this stuff?"