Appendix 2F
Waste Industry Consolidation

Currently, large private hauling companies, which control most of the collection market and all the landfills serving the metropolitan area, are driving decisions about what happens to waste after it is collected. These decisions are largely focused on maximizing profits, with little regard to long-term environmental costs. Because it is cheaper to put waste in a landfill rather than process it, more waste is being disposed of in this manner. Short-term cost savings are driving decisions with long-term environmental consequences.

Introduction

Over the past eight years there have been a number of changes in the waste industry in the metropolitan area. It was in late 1993 that waste from Ramsey and Washington Counties first began to be transported to out-of-state facilities, following a decision by the U.S. District Court that the flow control ordinances used by Faribault and Martin Counties were unconstitutional. This activity accelerated after May, 1994, when the U.S. Supreme Court provided clear legal guidance on flow control in the *Carbone v. Clarkstown* decision. The effect of this Supreme Court decision was that local governments could no longer require non-contracted haulers to take waste to designated solid waste facilities. At the same time that waste began to flow out of Minnesota, the waste industry began to haul waste greater distances, and waste firms began to increase their efforts to become vertically integrated acquiring not only waste hauling but transfer stations, landfills and recycling equipment. That activity moved to Minnesota, since the market in this area was not regulated by interstate flow control requirements.

Most recently, the waste industry has had a series of huge mergers and acquisitions, which have directly affected waste management in Ramsey and Washington Counties. Presented in this document is a brief description of the how the waste industry currently looks in the area.

Waste Hauler Acquisitions

In 1995 the two Counties had 58 active, licensed commercial haulers. We define "active, licensed commercial" because some firms procure licenses, but do not actively haul in the Counties, and some firms are "self-haulers" and do not provide services to others than themselves. In 1999 there were 45 firms in this category.

Attachment 1 includes a chart that depicts acquisition activity from 1995 to the present. This allows us to look at "where are they now?" The chart has two pages. The first page shows the firms that have been acquired since 1995, when the acquisitions occurred, and the size of the firms (as measured by truck number). The second page shows those firms that offer regular, MSW service in the two Counties that remain independent, sorted by size (again, measured by truck number). Some observations are:

- Most acquisitions have been with companies that are of a moderate to large size, that is, with more than 10 trucks, or 5-9 trucks. The number of trucks a firm has can be used as a surrogate for the number of accounts or waste volumes managed. Firms that are smaller have not been as active in the acquisition. This is understandable, because the principal value in a hauling company is not the trucks, but the account base and waste volume.
- The acquisitions in 1995 and 1996 changed the local landscape, in that firms that had been locally managed became regionally or nationally managed. Acquisitions in 1998 and 1999 have been mostly at the national level. For example, USA Waste purchased United Waste in 1997, and USA Waste acquired Waste Management in 1999 (keeping the Waste Management name), Allied acquired BFI (keeping the BFI name) and Vivendi purchased Superior in 1999 keeping the Superior name. Since 1999 the pace of mergers and acquisitions has slowed.
- The Big 3 haulers serving Ramsey and Washington Counties are BFI (Allied), Superior (Vivendi) and Waste Management (USA).

<u>Transfer Stations & Landfills</u>

Attachment 2 shows changes in ownership of Transfer Stations and Landfills. This chart shows when acquisitions occurred, who did the acquiring, and provides comments. Please note that transfer stations and landfills are of two types: MSW and Construction/Demolition Waste (C&D). It should also be noted that there are ten independent transfer stations, four of which are C&D only, five of which are not open to the public, and three of which are pending or proposed. The remaining independent transfer stations are generally small in size.

In 1995 United Waste moved quickly and aggressively to purchase the MSW transfer capacity in the area. Thus independent transfer stations became increasingly owned by regional or national corporations, to the point where Waste Management now owns the majority of the transfer capacity serving Ramsey and Washington Counties.

The same change can be seen for MSW landfills serving the two counties. It should be noted that all landfills that serve Ramsey and Washington Counties are now owned by three large companies: BFI, Superior and Waste Management. In 1995 those landfills were owned by eight different entities.

<u>Recycling and Materials Recovery Facilities (MRFs)</u>

All segments of the waste management industry have been affected. Attachment 3 shows the effect of acquisitions on recycling, with the result that there has been some concentration in this area. As with landfills, MRF ownership is concentrated in three large firms, Allied, Superior and Waste Management, with one independent MRF, EZ Recycling, remaining.

Comments and Observations

Staff continue to analyze the solid waste market, but offer these observations:

- There has been a concentration in the solid waste collection, transfer and landfilling market in the metropolitan area. This means that the waste collection services, and waste volume management, is increasingly carried out by fewer firms.
- Currently 65% of waste in the two Counties is handled by three companies: BFI, Waste Management and Superior. If Walters and Vasko are added to that (two firms that have transfer stations and deliver waste to landfills owned by BFI or Superior), the market share is 75%. The remaining 25% of the market is handled by 60 or so other firms.
- Decisions regarding waste collection, transfer and landfilling services are less local. The consolidation in the area has resulted in three firms having the most market share for waste management: BFI, Superior and Waste Management. These firms are international companies, and management decisions made in Minnesota must meet corporate goals and objectives. In contrast, in 1995, most firms were locally owned and operated, and decisions were locally based.
- As a corollary to the previous point, the interests of large national firms are different than those that are or have been locally based. This is important to consider when moving forward on procuring a waste supply for waste processing.
- There has been an increase in vertical integration. United Waste made a significant first move in 1995 to acquire collection, transfer, and landfill capacity, in order to internalize revenues. The industry trend nationwide has been to do the same, and now the three largest firms serving the area are vertically integrated with two of the three with significant MRF’s to process recyclables.