Waste Management, Inc. (WMI), the nation's largest waste hauler, will gross about $3.3 billion and net about $400 million this year. As of Dec. 31, 1987, the company owned 772 subsidiaries, many of which are former competitors of the waste giant. Clearly, this is a firm that has developed winning corporate strategies.

Setting up hundreds of subsidiaries is a key part of Waste Management's grand strategy for profiting from the nation's waste crisis. Creating many subsidiaries has several advantages from Waste Management's viewpoint. For one thing, it reduces the company's tax burden. But more importantly, each subsidiary has only limited assets, so if they get sued for harming people or the environment, they quickly become an empty pocket. The parent company is shielded from liability.

Perhaps most important is Waste Management's pattern of buying leaking landfills. It is increasingly difficult to site new landfills, so it makes good business sense to buy existing landfills, many of which are leaking, and expand them. Here, the small subsidiary serves a crucial purpose. The subsidiary buys a leaking landfill and then says to the local people, "If you let us expand this landfill, we'll clean up the existing pollution and prevent it from harming you. If, on the other hand, you won't let us expand the landfill, we will have to declare bankruptcy and then we won't be able to prevent the landfill from contaminating your town." Waste Management is saying to local people, in effect, "It's your choice: let us expand the landfill in your town or you may be harmed." It's an offer many towns can't refuse. At a time when 1/3 of the nation's landfills are expected to close in the next 5 to 7 years, this strategy has made Waste Management the owner of 117 valuable municipal landfills across the country, plus eight landfills for "hazardous" chemical wastes. As of May, 1988, WMI was "developing" an additional 72 landfills, according to Drexel Burnham, Inc., a Wall Street stock analyst.

The value of Waste Management's landfills is increasing. In spring, 1988, Waste Management formed a strategic partnership with the nation's second-largest builder of municipal solid waste incinerators, Wheelabrator Technologies. Waste Management owns 23% of the new Wheelabrator firm, in return for which WMI will guarantee landfill space for the toxic ash produced by Wheelabrator's incinerators. Ash represents 30% of the volume of the solid waste going into an incinerator and it is more toxic than the original solid waste. The merger of WMI and Wheelabrator is an attempt to make Wheelabrator the nation's most successful incinerator company.

People living near WMI landfills can expect their communities to be selected as sites for Wheelabrator incinerators. At a time when siting of incinerators has become politically difficult because of citizen opposition to new ash landfills, the alliance between WMI and Wheelabrator is intended to blunt citizen opposition and give Wheelabrator an edge on the competition. It also serves WMI.

"The joint venture with Wheelabrator represents a new, very positive addition to [Waste Management]. We believe the arrangement puts Waste Management in the driver's seat, no matter which direction or which technology the disposal market takes," says Drexel Burnham.

A key element in the success of this strategy will be pending federal legislation to define incinerator ash as "non-hazardous." If incinerator ash is defined as "hazardous waste," it will have to be sent to special landfills; shipping and disposal costs will increase dramatically, making the incineration of solid waste economically, doubtful. If incinerator ash is defined as "hazardous," Wheelabrator's ash will not be able to go to Waste Management's landfills and both firms will lose a tremendous business opportunity.

Luckily for Waste Management and Wheelabrator, a consortium of Washington based environmental groups is supporting legislation that would remove the "hazardous" label from incinerator ash, even though much of the ash proves to be "hazardous" when subjected to chemical tests by the U.S. Environmental Protection Agency (EPA). The legislation [see HWN #85] was proposed by Congressman James Florio (D-NJ), who reportedly has a substantial interest in two incineration projects in southern New Jersey. Washington-based environmental groups like Environmental Defense Fund, Sierra Club, and the National Wildlife Federation are supporting Mr. Florio's legislation. The chairman of WMI, Mr. Dean Buntrock, sits on the board of directors of National Wildlife Federation.

Waste Management has been courting the environmental community for some time now. A representative of Waste Management told us that WMI is now funding "several" environmental groups. They declined to give many details but confirmed that a well-known New York City environmental organization recently received a $10,000 grant from Waste Management. Groups wishing to apply for funding from WMI can contact Bill Brown, who was formerly director of Environmental Defense Fund (EDF); Mr. Brown can be reached at Waste Management's Washington, DC, office; phone (202) 467-4480.

WMI's corporate strategy includes expansion of its visible recycling efforts. As we reported earlier [HWN #81], siting experts say the public is more likely to accept new waste disposal dumps and incinerators if the projects are presented with a recycling component.

Drexel Burnham says recycling will never amount to much in the United States. The U.S. produces 220 million tons of municipal solid waste each year and 90% of it is currently landfilled. Recycling can cut waste but only by 10 to 20%, says Drexel, and recycling is "uneconomic and hard to sustain," they say. Nevertheless, running recycling programs evidently has value to Waste Management. The cover of Waste Management's 1987 annual report features a glossy photo of several thousand cans and bottles awaiting pickup at a WMI-run "recycling" station. Drexel Burnham says Waste Management runs "numerous recycling programs," without naming any. We learned recently that the grass roots group, Dumpbusters, in Spencerville, Ohio, followed Waste Management trucks picking up bottles and cans at a "recycling" center. According to eye witnesses we interviewed, WMI trucks picked up the recyclables and hauled them directly to a landfill, where they were dumped like any other garbage.

According to Drexel Burnham, Waste Management has identified 500 major metropolitan markets where it could be active in the garbage business. The firm is already working in 325 of these and intends to push its way into all 500 by 1991. It also intends to expand aggressively in nonmetropolitan areas.

Drexel Burnham's evaluation of Waste Management is available free from the firm at 60 Broad St., NY, NY 10004; phone Leone Young at (212) 361-7202. WMI's annual report is available free from Bill Brown at (202) 467-4480.

We have published the list of 772 WMI subsidiaries, by state, and alphabetically by name, so you can tell whether your adversaries are owned by WMI. The 36 page list is available for $5.

--Peter Montague

Descriptor terms: wmi; waste hauling industry; strategies; bfi; msw; taxation; corruption; landfilling; leaks; hazardous waste industry; siting; drexel burnham; incineration; wheelabrator; ash; citizen groups; legislation; environmentalists; epa; james florio; edf; sierra club; nwf; dean buntrock; bill brown; revolving door; recycling; waste treatment technologies; dumpbusters; oh;