The WALL STREET JOURNAL on August 11, 1993, warned its readers that incinerators for municipal trash are financial disasters for local government. In a long front-page story, and a separate story on page 2, the JOURNAL warned that incinerators are fabulously expensive compared to other ways of handling trash, and that the financial picture for incineration will probably get worse in the future.

The JOURNAL said, "To varying degrees environmental officials at the state and federal level encouraged an incinerator building binge during the 1980s, with 142 plants now burning about 30 million tons a year, or 16% of the nation's trash.

"But the officials paid little mind to the economics of burning trash. Very simply, the current economics are terrible, requiring residential and commercial customers—as well as taxpayers—to pay hundreds of millions of dollars a year over and above the going market rate for trash disposal. The average incinerator disposal fee is $56 per ton, twice the $28 average at dumps, reports SOLID WASTE PRICE DIGEST, a trade journal."

The basic problem is this: in the early 1980s, cities and counties were stampeded into thinking the nation was running out of landfill space and that incineration was the only alternative. Incinerator companies insisted on "put or pay" contracts, requiring a government to provide the incinerator a fixed amount of trash each year or pay a cash penalty. Put or pay contracts require government to supply waste (or pay a penalty) for the life of the incinerator—20 years or more.

But now the big garbage companies—like Waste Management, Inc. (which now calls itself WMX Technologies), and Browning-Ferris Industries (BFI)—have muscled their way into dozens of communities, creating and expanding garbage dumps despite citizen opposition. As a result, there is an excess of dump capacity, and dumping garbage is now much cheaper than burning garbage. Governments that bought into incinerators must now take garbage from other jurisdictions, at cut rate prices, to feed their incinerators.

Garbage Crisis Was Manufactured

"The garbage crisis, though it appealed perfectly to the nation's collective guilt over throwing away so much stuff, was more fiction than fact," says the JOURNAL. WMX and BFI and municipalities have "created huge amounts of disposal capacity in recent years" and this has created a "space glut" which has led to "fierce price-cutting as dump and incinerator owners compete for refuse."

The big garbage companies continue to use the "mythical" garbage crisis as a marketing tool, says the JOURNAL. A brochure from WMX warns that "this nation is quickly running out of places to dispose of trash." The 1987 annual report of Ogden Corp.—the biggest manufacturer of trash incinerators—sees "available landfill space vanishing." These are bogus claims.

Cities That Can't Put Must Pay

"Incinerators need to operate at full capacity to make the most of electricity production, which also brings in revenue, and to service debt of $301 million per plant. Cities therefore have been forced to bid for trash on the open market, often at disposal fees far below what their own residents must pay," says the JOURNAL.

Public Risks, Private Profits

"In hindsight, the public sector got most of the risks and the private sector most of the rewards in building waste-to-energy facilities. Typically, the municipality provided financing: the company guaranteed the thing would work; the municipality guaranteed a certain amount of trash at a set price," the JOURNAL says.

"Then the market price for disposal plunged. So, Broward County (Fla.) trash burns for $55 a ton at its two big incinerators, but waste from everywhere else is welcomed as cheaply as $42. In Montgomery County, Pa., locals pay $63.50 while outsiders can dump for $41. 'It was supposed to work the other way around,' says Donald Silverson, Montgomery County's trash chief. 'It's a sore point.'"

Future Looks Even Gloomier

Things could go from bad to worse for the economics of incineration. The JOURNAL gives four reasons why the future looks bleak:

1) Cities are facing huge costs to fit all but the newest plants with modern air-pollution control systems.

2) Electric utilities are fighting back against a federal law that requires them to buy electricity from incinerators at above-market prices.

Utilities are now required to buy electricity from Non-Utility Generators (NUGs) at prices that are often based on early 1980s projections that oil prices were going to skyrocket. So today, while utilities buy and sell electricity among themselves at 1 to 3 cents per kilowatt-hour, some incinerators get as much as 11 cents per kilowatt- hour. (Burning a ton of trash yields about 600 kilowatt-hours, so 2 cents yields $12 a ton, 4 cents yields $24 per ton, and so forth.)

Niagara Mohawk Power Corp. is forced to buy NUG electricity for 6 cents a kilowatt-hour, which it resells for 1 to 2 cents—taking a $400 million loss on the deal each year. Southern California Edison spends $750 million each year above the market rate to buy NUG power, a spokesperson told the JOURNAL. "That's why our rates are so high."

Utilities are lobbying hard to get out from under the requirement to pay high prices for NUG electricity. If they succeed, incinerators will lose a major subsidy.

(3 and 4) The U.S. Supreme Court has 2 cases pending that could have devastating impacts on municipalities that bought into incineration, and on bondholders, taxpayers, and companies that own incinerators.

First, the court will decide whether incinerator ash is legally a hazardous waste. A federal appeals court in Chicago says it's a hazardous waste, while a federal appeals court in New York says it's not.

The debate isn't over the physical characteristics of incinerator ash. There is no doubt that it contains large quantities of toxic metals such as lead, cadmium, and arsenic, clearly establishing it as a dangerous waste. (See RHWN #22, #92 and #189.) However, in order to grease the skids for the introduction of incinerators in the '80s, many states declared incinerator waste "legally non-hazardous." This was merely a way of having taxpayers subsidize the incinerator industry, at the expense of environmental
damage, because if incinerator ash is labeled as a hazardous waste, ash disposal will cost 10 times what it costs today, adding $3.5 billion to the annual cost of running the 142 incinerators currently operating. "That could force incinerators to roughly triple the disposal fee they charge for trash to more than $150 per ton, the municipalities say. Many [incinerators] would simply close, which could lead to billions of dollars of bond defaults," says the JOURNAL.

In other words, INCINERATORS CAN'T AFFORD TO HANDLE THEIR TOXIC ASH RESPONSIBLY, no matter what the court decides.

Second, the Supreme Court will decide a "flow control" debate that could also kill the incinerator business.

"Flow control" is a practice that allows a municipality to commandeer all the trash within its borders and send it to a favored disposal site. Flow control is another taxpayer subsidy to the incinerator industry. With flow control, a county or municipality can order all local garbage sent to an expensive incinerator instead of to a cheaper dump. The taxpayer picks up the tab and the incinerator gets the benefit. Because many incinerators charge prices far higher than nearby dumps, "only with flow control do they remain viable," says the JOURNAL.

Several lower court decisions have said that flow control is an illegal restriction on interstate commerce.

A Supreme Court decision against flow control could spark an all-out price war in the disposal business. Dumps, with relatively low fixed costs, could ride out a price war. Many cash-hungry incinerators couldn't, says the JOURNAL.

Bailouts at Taxpayer Expense

To survive without legal flow control, some municipalities are resorting to "economic flow control" instead. In essence, they set the disposal fee at their incinerator low enough to attract trash, then make up the rest of the costs by raising taxes.

This is how Montgomery County, Maryland is planning to pay for its $325 million, 1800-ton-per-day incinerator: waste disposal taxes in the county will rise from $146 per year to $246 per year by 1999, says the JOURNAL.

Taxpayers in Columbus, Oh. have subsidized the city's incinerator to the tune of $100 million over the last decade, the JOURNAL says.

Blaming the EPA

Incinerator operators blame U.S. Environmental Protection Agency (EPA) for going easy on dumps, but the director of EPA's division of industrial and municipal solid waste, Bruce Weddle, told the JOURNAL, "The stuff that goes up the [incinerator] stack affects more people than [garbage water] going into the groundwater."

Creative Responses

LaCrosse County, Wisconsin, sued its consultants for overestimating the area's trash volume and collected $2.6 million, according to the JOURNAL.

Many of our readers can now say, "We told you so!"

--Peter Montague


Descriptor terms: incineration; msw; wall street journal; economics; ash; wmx; bfi; ogden martin; broward county, fl; fl; air pollution; pinellas county, fl; niagara mohawk power co; southern california edison; supreme court; hazardous waste; lead; cadmium; arsenic; flow control; montgomery county, md; columbus, oh; oh; lacrosse county, wi; wi; jeff bailey.