The District Attorney of San Diego County, California, Edwin L. Miller, Jr., has issued a 260-page background report on Waste Management, Inc. (WMI), the nation’s largest waste hauler. The San Diego Report, as it has become known, draws the following conclusions, which we quote verbatim:

** WASTE MANAGEMENT, INC.’S METHODS OF DOING BUSINESS AND HISTORY OF CIVIL AND CRIMINAL VIOLATIONS HAS [sic] ESTABLISHED A PREDICTABLE PATTERN WHICH HAS BEEN FAIRLY CONSISTENT OVER A SIGNIFICANT NUMBER OF YEARS.

** WE [the San Diego DA and his investigative staff] HAVE REVIEWED RECENT PRACTICES AND PROBLEMS AND OUR CONCERNS HAVE NOT DIMINISHED. THE COMPANY’S RECENT BUSINESS PRACTICES AND VIOLATIONS DO NOT APPEAR TO BE DIFFERENT FROM THE PAST.

**[T]HE COMPANY’S HISTORY REQUIRES EXTREME CAUTION BY THE SAN DIEGO COUNTY BOARD OF SUPERVISORS OR ANY OTHER GOVERNMENTAL ENTITY CONTEMPLATING ANY CONTRACTUAL OR BUSINESS RELATIONSHIP WITH WASTE MANAGEMENT

** [I]T IS CLEAR THAT WASTE MANAGEMENT ENGAGES IN PRACTICES DESIGNED TO GAIN UNDUE INFLUENCE OVER GOVERNMENT OFFICIALS

** THESE PRACTICES SUGGEST AN UNSEEMLY EFFORT BY WASTE MANAGEMENT TO MANIPULATE LOCAL GOVERNMENT FOR ITS OWN BUSINESS ENDS. IF UNCHECKED, THESE PRACTICES, LIKE OTHER MORE DIRECT FORMS OF IMPROPER ATTEMPTS TO GAIN INFLUENCE, MAY HAVE A CORRUPTING IMPACT ON LOCAL GOVERNMENT AND LEAD TO DECISIONS UNSUITABLE TO THE BEST INTERESTS OF THE PUBLIC

Background of the San Diego Report

In late 1990, Waste Management, Inc. (WMI), requested a permit to develop a large garbage dump in Gregory Canyon, San Diego County. The request needed approval by the County Board of Supervisors, and the Board asked the District Attorney, Edwin L. Miller, Jr., to conduct a background check on WMI. The check took over a year and resulted in a report, released in March, 1992, and updated in July, 1992, containing the following chapters: Introduction; Company History; Environmental Problems; Significant Environmental Cases; Organized Crime Connections; Public Corruption; Anti-trust and Unfair Business Practices.

There have been several reports on Waste Management in recent years, but until now none has openly discussed the company’s alleged connections to organized crime. In its section entitled, Organized Crime Connections, the San Diego Report begins this way (we are quoting verbatim):

HISTORICALLY, THE REFUSE INDUSTRY HAS BEEN REPUTED TO BE INFILTRATED BY MEMBERS OF ORGANIZED CRIME. IN MANY INSTANCES, THIS IS A WELL-DESERVED REPUTATION. THE WASTE CARTAGE BUSINESS IN CERTAIN AREAS OF THE COUNTRY, PRIMARILY THE NORTHEASTERN SEABoard, CONTINUES TO BE KNOWN AS AN INDUSTRY WITH STRONG TIES TO TRADITIONAL ORGANIZED CRIME FAMILIES. WHERE ORGANIZED CRIME IS INVOLVED IN THE HAULING INDUSTRY IT IS COMMON TO FIND A "PROPERTY RIGHTS" SYSTEM AT WORK WHEREIN CUSTOMERS ARE CONSIDERED THE "PROPERTY" OF THE HAULING COMPANY. THUS, THERE IS NO COMPETITION AND THE COMPANIES ARE FREE TO SET HIGH SERVICE FEES WITHOUT CONCERN THAT CUSTOMERS WILL BE LOST TO COMPETITORS. WHERE ORGANIZED CRIMINALS ARE INVOLVED IN WASTE STORAGE OR LANDFILL OPERATIONS, FEE SKIMMING AND MONEY LAUNDERING ARE COMMONLY APPLIED SCHEMES. IN MANY INSTANCES, THE DISPOSAL COMPANIES ASSOCIATED WITH ORGANIZED CRIME HAVE BEEN FAIRLY BLATANT IN THEIR DISREGARD FOR STATE AND FEDERAL ENVIRONMENTAL REGULATIONS HOWEVER, SUCH UNLAWFUL BUSINESS PRACTICES HAVE NOT BEEN LIMITED TO ORGANIZED CRIME OPERATED BUSINESSES

THE DEFINITION OF "ORGANIZED CRIME" IS GENERALLY ASSUMED TO BE MERELY ANOTHER TERM FOR THE MAFIA, OR TRADITIONAL ORGANIZED CRIME FAMILIES. HOWEVER, NOW THE TERM "ORGANIZED CRIME" MAY BE APPLIED TO MANY CRIMINAL ENTERPRISES WITH DIVERGENT INTERESTS. ANY ENTERPRISE WHICH IS ORGANIZED TO CIRCUMVENT THE LAW FOR PROFIT MAY PROPERLY BE DESCRIBED AS "ORGANIZED CRIME."


The State of Wisconsin charged that 11 companies and 14 individuals, including Mr. Buntrock, had conspired illegally to dominate the garbage hauling business in Milwaukee County. (See Attachment C of the San Diego Report.) The then-Attorney General of Wisconsin, John W. Reynolds, went on to allege other activities in connection with the alleged conspiracy (we quote verbatim):

THAT IN FURTHERANCE OF SAID CONSPIRACY THE DEFENDANTS THREATENED PHYSICAL HARM TO THE OWNERS OF COMPETING RUBBISH COLLECTION, WASTE REMOVAL AND DISPOSAL FIRMS, CORPORATIONS OR PERSONS ENGAGED IN SAID BUSINESS AND THEIR FAMILIES AND DESTRUCTION OR DAMAGE TO THEIR PROPERTY AND EQUIPMENT, OR THREATENED TO HAUL ALL THEIR ACCOUNTS FOR NOTHING IF THEY OFFERED OR SUBMITTED COMPETITIVE BIDS TO ACCOUNTS.Handled BY THE DEFENDANTS OR IF THEY OBTAINED ACCOUNTS PREVIOUSLY HANDLED BY SAID DEFENDANTS. FURTHER THAT THEY TIED SUCH THREATS TO MYSTERIOUS FIRES AND ACTS OF VANDALISM BY UNKNOWN PERSONS WHICH RESULTED IN DAMAGE TO THE TRUCKS AND OTHER PROPERTY OF SUCH COMPETITORS

The Milwaukee Circuit Court issued an injunction against such business practices by the 11 firms and 14 individuals, including Mr. Buntrock, an injunction that reportedly remained in effect for 8 years.

Waste Management, Inc. officials did not return our phone calls, so we cannot offer Mr. Buntrock’s rendition of his early years in the waste business, nor can we present the company’s response to the San Diego Report.
The San Diego Report contains a welter of detail about Waste Management's ongoing history of encounters with the law. For example, September 20, 1991, the Sheriff's Department of Ventura County, California, issued its own report on Waste Management, Inc. The entire Ventura Report is included as Attachment B of the San Diego Report. The Ventura Report describes 225 different criminal and civil actions in which Waste Management and its subsidiaries have been charged during the past 13 years. According to the Ventura Report, these 225 cases are not an exhaustive recounting of WMI's legal troubles, but it offers a fair spectrum of the kinds of misdemeanors, administrative misdeeds, and felonies with which Mr. Buntrock's company and its subsidiaries were charged during the 1980s. (It also shows unmistakably that the company's 80-lawyer legal staff has been able to deflect many governmental regulatory thrusts. In the vast majority of cases in which WMI paid a fine, it did so after signing a consent agreement with a government agency, often the EPA [U.S. Environmental Protection Agency]. Such consent agreements let the government claim victory while a company avoids coming to trial, avoids acknowledging any wrongdoing, and avoids any dip in its profits.)

There is one area of company business that the San Diego Report ignores entirely: recent allegations of bookkeeping irregularities. For example, BUSINESS WEEK May 11, 1992 (pg. 89) reported that WMI:

[BRUMPED UP EARNINGS 6.8% LAST YEAR BY COUNTING $53.5 MILLION IN GAINS STEMMING FROM STOCK SALES AND OTHER SECURITIES TRANSACTIONS BY THREE SUBSIDIARIES, THAT'S USUALLY REFLECTED ON THE PARENT'S BALANCE SHEET BY ADJUSTING THE (OFTEN HIGHER) NEW VALUE THE MARKET PLACES ON ITS STOCK IN THE SUBSIDIARIES. INSTEAD, WASTE MANAGEMENT LUMPED THE STOCK APPRECIATION IN WITH ITS OWN EARNINGS. THOUGH SEC [Securities and Exchange Commission] RULES CALL FOR DISCLOSING SUCH GAINS AS A SEPARATE LINE ITEM, REGARDLESS OF THEIR SIZE, THERE WAS NO SUCH ITEM IN THE COMPANY'S FINANCIAL REPORTS. JAMES E. KOENIG, WASTE MANAGEMENT'S CHIEF FINANCIAL OFFICER, DENIES THAT IT WAS TRYING TO ARTIFICIALLY INFLATE NET INCOME: "WE FOLLOW PROPER ACCOUNTING, AND WE DON'T PLAY GAMES."

FINANCIAL WORLD June 23, 1992 (pg. 30) focused additional attention on WMI's accounting practices. After reporting that WMI's competitor, Chambers Development, had been forced to admit artificially inflating its earnings—an admission that caused Chambers stock to drop 60% in one week—FINANCIAL WORLD said:

WHILE THERE IS NO INDICATION WHATSOEVER THAT WASTE [Management, Inc.] PLAYED THE KIND OF DOUBLE-CAPITALIZATION GAMES THAT CHAMBER'S ACCOUNTANTS DID, THE COMPANY CARRIES ON ITS BALANCE SHEET $1.2 BILLION IN PREPAID EXPENSES AND "SUNDRY OTHER ASSETS," SOME OF WHICH REPRESENT OVERDUE ACCOUNTS RECEIVABLE. THESE ARE THE SAME TYPE OF ACCOUNTS THAT CAUSED THE CHAMBERS WRITE-OFFS. LOREN KELLOGG, WHO HAS TRACKED QUESTIONABLE ACCOUNTING PRACTICES IN PUBLIC COMPANIES FOR YEARS IN HIS Financial Statement Alert, WOULD LIKE THE DETAILS ON THESE ACCOUNTS, BUT WASTE [Management, Inc.] WON'T GIVE THEM TO HIM.

FINANCIAL WORLD went on to describe why WMI's stock has been taking a beating in the marketplace (down 20% since February): AFTER YEARS OF SEEKING TO MITIGATE LIABILITIES UNDER THE SUPERFUND CLEANUP ACT, WASTE MANAGEMENT WAS FINALLY FORCED LAST DECEMBER TO RECOGNIZE A POTENTIAL $296 MILLION IN CLEANUP COSTS. THAT MAY NOT BE THE END OF IT. THE EPA SUPERFUND CLEANUP LIST CURRENTLY INCLUDES 100 WASTE MANAGEMENT SITES.

Indeed, the salad days of ever-increasing profits may be over at WMI, according to FINANCIAL WORLD. Citizen activists from across the country are focused now on passing federal legislation giving municipalities, counties and states the right to refuse entrance to trash shipped in from other jurisdictions. Such "right to say no" legislation (also called "flow control") could hurt Waste Management's profit picture. The bill (S. 2877) passed the U.S. Senate by a large margin July 21. Now the fight moves to the House of Representatives. To keep abreast of this legislative battle, contact Will Collette at the Citizens' Coal Council; telephone (202) 543-1394. To get the FINAL REPORT, WASTE MANAGEMENT, INC., send $32.75 to: Clerk of the Board of Supervisors, Room 402, County Administration Center, San Diego, CA 92101-2471. Phone: (619) 531-5430. Be sure to ask for the full 260-page version.

--Peter Montague

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Descriptor terms: san diego, ca; wmi; organized crime; john mandella; san diego report; chambers development; wmi; waste hauling industry;