The "largest criminal antitrust case in California history" broke open in the spring of 1989 and gave the public a rare glimpse inside the garbage hauling industry, thanks to aggressive detective work by the district attorney's office in Los Angeles County.

It all started back in 1985 when the DA received a letter from a small waste hauler (Carry All Disposal) complaining of harassment from competitors. Carry All said its trucks were being followed by GSX Corp., a major competitor. Once GSX learned their names, GSX "blitzed" Carry All's customers, offering below-market prices for waste hauling--an offer they couldn't refuse. Pretty soon Carry All started receiving cancellations from customers.

The DA had tried to investigate the trash hauling business a few years earlier but hadn't gotten to first base because it's a clannish industry, interwoven with family connections. Nevertheless, an investigator was assigned to look into Carry All's allegations. The investigator quickly discovered a goldmine--a Carry All employee who used to be sales manager for GSX. Armed with specific inside information and a search warrant, the DA found eight to 10 boxes of internal memos and expense vouchers. With the help of the former GSX employee, the DA deciphered the documents, many of which were only cryptic or partial notes.

They found telephone receptionist notes spelling out the firm's illegal contacts with competitors. Among the memos were some from GSX competitors asking, "Why are you talking to my clients?"

"It's rare to find the smoking gun," says assistant DA Tom Papageorge. "The challenge of these cases is having to prove a conspiracy when agreements are mostly verbal."

What the documents showed was that GSX and their competitors often met surreptitiously to eliminate competition and control prices. The conspiracy included agreements not to take away each other's customers. The firms often used "blitzes," or below-cost sales pitches, to take customers from haulers who insisted on trying to compete.

When a commercial customer sought to change haulers, the current and the prospective hauler often would get together and have the latter offer a "highball" price to the customer. Then the two firms would divide the profits, often with payoffs from one hauler to the other as high as $10,000. In the meantime, customers who did not change haulers were "stung" regularly with annual price hikes of 15 to 20%. There was open competition only when a new customer, such as a new mini-mall, came into being. "The standing rule was non-competition," says Assistant DA Papageorge.

The solid waste industry in Los Angeles County was highly competitive with 400 small haulers making a living providing service to local businesses and residents. But about 10 years ago, BFI, Waste Management, Inc., and Laidlaw discovered that environmental laws favor bigness. You have to have enormous resources (money in the bank, or borrowing power) to build a double-lined landfill or a solid waste incinerator. (Ironically, these expensive technologies don't protect the environment any better than the older technologies--they simply make it too costly for the little person to compete anymore.)

So the big firms have muscled their way into city after city, pushing little people aside. And the big firms have created their own kind of stability: the basic idea is to divide up the market for waste hauling among a few competitors, and to fix prices for those services among competitors, eliminating competition. The waste firms operate secret cartels, dividing up commercial accounts so they can charge any price without fear of competition. "The crime here amounts to a theft from the public which uses the myriad of businesses which are paying artificially high fees to have their trash hauled away," says District Attorney Ira Reiner. "The high prices ultimately are passed on to the public."

When it came clear to GSX that the DA had the goods on them, they offered a deal--they would rat on their friends in return for leniency in court. GSX ultimately paid a $236,500 fine in 1989 but in return for this light penalty, they implicated three other companies in antitrust (price-fixing) crimes. GSX is a subsidiary of Laidlaw, a Canadian firm that is the third largest waste hauler in the world, after Waste Management and BFI.

GSX turned states evidence and nailed their friends, who then pleaded no contest, resulting, in March, 1989, in a record fine of $1 million for California Waste Management--the Los Angeles subsidiary of the nation's largest waste hauler ($4 billion per year), Waste Management of Oak Brook, IL. Western Waste Industries, a large ($50 million per year) local hauler, paid a $900,000 fine in the antitrust case and another $100,000 for hiding hazardous wastes under household trash, dumping them illegally in three Los Angeles landfills. The Western Waste sales manager got 45 days in jail for his part in the antitrust conspiracy. A third firm, Angelus-Hudson paid a $75,000 fine. A plea of "no contest" amounts to saying "I am not admitting guilt but I don't think I can beat the rap, so convict me--I accept the consequences."

In an earlier (Jan., 1989) case, federal authorities fined GSX $500,000 for "blitzing" competitors' customers; in addition, GSX and unnamed others were accused of conspiracy, quoting inflated prices to each other's customers to mislead them into believing they were getting good deals.

Three years earlier, in 1986, a GSX employee was charged with laundering $1500 in political contributions to two Orange County, CA, supervisors.

Thus we can see that GSX Corp., like Waste Management and BFI, is basically a parasitic firm, preying on the public while claiming to provide a needed service. The basic problems are the same with all these large haulers: they learned their business practices by observing organized crime, which has dominated portions of the waste hauling industry for years. (See RHWN #40.) They use their economic power to destroy small businesses in a targeted area; then they establish an "understanding" between themselves and the other giant firms, avoiding competition and bleeding their customers by charging inflated rates, which the public ultimately pays.

The net effect is to eliminate one more underpinning of community life, to remove from local control one more essential community service, to reduce opportunities for local business people, to inflate the cost of waste disposal, and to reinforce the sense that there is no justice for the little person. The centralization of the garbage industry into the hands of a few enormous, unscrupulous firms is not yet an accomplished fact in many areas, but the published plans of these large haulers: they learned their business practices by observing organized crime, which has dominated portions of the waste hauling industry for years. (See RHWN #40.) They use their economic power to destroy small businesses in a targeted area; then they establish an "understanding" between themselves and the other giant firms, avoiding competition and bleeding their customers by charging inflated rates, which the public ultimately pays.

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WHO HOLDS THE GARBAGE CONTRACTS IN YOUR COMMUNITY? DO YOU KNOW?
