

July 2001

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ORGANIZED CRIME AND MEDICAL WASTE DISPOSAL

To investigate whether organized crime (the mafia) is involved in medical waste disposal, industry experts were interviewed in seven cities or regions: Boston, Chicago, Cincinnati, Denver, Minneapolis, New York and Phoenix. This included:

- Law enforcement officials
- Public Interest groups
- Municipal officials
- Consultants
- Officials of affiliated waste industry companies
- Hospital environmental services directors
- Waste industry attorneys

The big dogs in the medical waste disposal market: Three companies control 75% of the entire solid waste flow in U.S. By size of market share, they are, in order:

Waste Management, formerly USA Waste Services. It serves about 27 million municipal, business, and residential customers in the US, Canada, and Mexico through a network of landfills and collection operations, as well as waste transfer, disposal, and recycling services. In 1998 USA Waste bought Waste Management, which reportedly was faltering at the time. USA Waste took the Waste Management name and many of its problems. It sold off its international solid- and hazardous-waste management businesses along with its non-core North American assets (hazardous waste and power production operations).

Conclusion

There is no evidence that organized crime is involved in medical waste disposal. The large waste disposal companies have been trying to disassociate themselves from organized crime. However, they have purchased smaller firms with mafia ties, which raises questions about organized crime involvement in these companies. Hospitals would like to see more competition, but they admit it would be difficult for a new company to enter the field.

Allied Waste Industries, which purchased Browning-Ferris Industries (BFI), the nation's second-largest solid-waste company. Allied owns about 340 non-hazardous waste collection companies, 150 transfer stations, 160 landfills, and 90 recycling facilities. Allied reorganized and divested some of its holdings, particularly non-core activities that belonged to BFI.

Republic Services, which was formed by Blockbuster founder Wayne Huzienga (who is chairman of the Board of Republic),

Tom Fatchow (an original BFI founder), and Mike DeGroot (a Laidlaw founder). Republic bought Nevada's Silver State after top executives of Silver State were convicted of tax-evasion and there were noxious leaks at Silver State's Sunrise landfill.

Silver State had a virtual monopoly on the southern Nevada market until the entry of BFI. Republic has about 139 collection companies in 22 states, operates 53 landfills and about 80 transfer stations. It plans to enter the San Francisco market by acquiring Richmond Sanitary Services. Republic Services was spun off from AutoNation (previously known as Republic Industries) in 1998.

Safety-Kleen, has more than 250 locations in the US, Canada, and Puerto Rico. Safety-Kleen began an investigation of its accounting practices, closed

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several facilities, hired a new CEO, and filed for bankruptcy protection. The company is 44%-owned by Canada-based transportation company Laidlaw. In financial trouble itself, Laidlaw is suing Safety-Kleen in an effort to recoup its losses.

The large waste disposal companies have been trying to disassociate themselves from organized crime. However, they have purchased smaller firms with mafia ties, which raises questions about organized crime involvement in these companies. For example, USA Waste acquired Eastern Disposal in Philadelphia and City Management, both of which generally are believed to have been mafia-run. A source said, "Both BFI and Waste Management (now USA Waste) have been prosecuted by the Manhattan District Attorney, and Chicago officials instituted Operation Silver Shovels in an attempt to rid waste disposal in that of organized crime ties."

Medical Waste

The biggest medical waste hauler is **Stericycle**, which purchased BFI's medical waste unit from Allied Waste. Stericycle serves about 250,000 customers in the US, Canada, and Mexico. The company is also expanding its presence in Japan and South Africa through joint ventures and licensing agreements. Through more than 30 treatment centers and about 100 collection sites, the firm treats medical waste through autoclaving (using high temperature and pressure to kill pathogens), incineration, and its proprietary electro-thermal-deactivation (ETD) process, which boils down refuse to be deposited in landfills or recycled into usable plastic or fuel. A source hinted that some negative news is coming about Stericycle, but she would not explain this further. Stericycle reportedly has 70%-80% of the medical waste business nationally.

BFI has been cited for numerous violations. According to a Nevada newspaper report, there were 30 violations from 1991 to 1994 with fines totaling approximately \$138,000. However, the newspaper wrote: "Considering it serves more than 114,000 medical waste customers and operates 27 treatment centers, the missteps seem minuscule, the penalties a pittance."

Other, smaller medical waste disposal companies include:

- Medwaste Technologies Corp.
- Gamma Environmental Services of Houston
- U.S. Med was shut down from doing business in southern Nevada after an undercover operation, prompted by information from a competitor found it improperly dumped tons of untreated hospital waste.

- Scherer Healthcare provides medical-waste management services through subsidiaries Bio Systems Partners, BioWaste Systems, and Medical Waste Systems for hospitals, nursing homes, doctors' offices, clinics, and labs. The company transports the waste, primarily sharps (used needles, scalpels, and syringes), to its processing plant where they are sterilized and pulverized for recycling or landfill disposal.
- Advanced EnviroTech Systems' Enviroclean Management Services division, a Dallas-based company.

While there have been numerous investigations of -- and news reports about -- organized crime involvement in solid waste disposal, few sources had any knowledge of any significant mafia involvement in medical waste disposal. However, many sources declined to talk about this issue. A former FBI official said, "Certainly, organized crime has a significant presence in Chicago, but I've not heard anything about their involvement in medical waste. We saw them involved in medical product sales a lot, but not anything in (medical waste) disposal -- but that isn't to say they aren't. The big companies certainly appear to have links. They've purchased companies with clear mafia ties, and it is not reasonable to think you can simply buy a mafia company and disassociate it from organized crime."

Various Perspectives

Hospitals. Every one of the hospitals questioned in each of these cities has contracted with Stericycle. Hospitals generally choose a hauler based on price, but insurance and reputation also are very important. Hospitals require dependable medical waste disposal. A Chicago hospital official said, "The market is not very competitive right now." A Boston official agreed, "There is no real choice of haulers. Ensuring where the trash is going is very important to us, but getting Stericycle to follow the pickup schedule is a big problem." A Minneapolis hospital official said, "Stericycle purchased two competitors, so now it has no competition." A Denver official said, "Stericycle has monopolized the medical waste disposal world."

None of the hospital officials questioned believe that the mafia is involved in their area or nationally. An Ohio official said, "I've only heard rumors." A Minneapolis official said, "I don't believe that organized crime is involved in this at all." A Boston official said, "I've not heard of any organized crime involvement." A Chicago official said, "The mob goes a long way back, but it is not very important in this area, and there is no hard evidence of any involvement."

Municipal officials. Officials either denied there is any mafia involvement in medical waste management in their locality, or they said that they know little about medical waste, which was described as “different and distinct” from solid waste. A Minneapolis solid waste official said, “We don’t have anything to do with medical waste. We know someone does it, but we don’t have a clue about it. We just do household waste...And since 1971, we deal with a consortium of haulers organized to negotiate half the city, and we do the other half. So we don’t deal directly with any one company or hauler... Someone on the city council floor made allegations about ties to organized crime with some (national) haulers, but those allegations were totally unsubstantiated. And it was sort of like what does that have to do with us? I wouldn’t say organized crime is involved in anything in the waste industry, at least not in Minnesota. I know there was a collusion case where BFI paid a huge fine out East. In Minnesota, there is so much legislation about waste that if you comply with all the federal and state laws on commercial handling and disposal, it comes down to price. Waste is a big industry. When you get to specialized stuff, it pretty much all comes down to price.”

Westchester County, NY, recently hired Bruce Berger as executive director of its Solid Waste Commission. Berger is credited with the clean up of the organized crime element in the New York City carting industry. He was the counsel for Special Investigations in the Metropolitan Transportation Authority's Office of the Inspector General and a former Manhattan senior investigative attorney. Through his staff, Berger insisted he has no knowledge of organized crime in medical waste disposal.

Westchester County Legislator Thomas Abinanti wrote legislation requiring all carters operating in that county to obtain a county license, which is only granted after the Commission conducts a background investigation of the applicant. So far, 31 carters have passed this test, and their names are on the county’s website (www.westerchester.gov). A county solid waste official said, “We have legislation like the New York City legislation to crack down on (organized crime in waste handling), and a whole office dedicated to that. We are talking about carters going around with a monopoly on a certain territory, but this effort is in commercial waste primarily. I’m not aware there is a medical piece. I’ve never heard medical waste mentioned as having any organized crime connection, but we have nothing to do with medical waste or hazardous waste.”

Law Enforcement officials. In the mid- to late-1980's, Maurice Hinchey, now a New York Congressman, investigated organized crime’s involvement in waste hauling, but his staff said he has never looked into the medical waste area and is not up-to-date on the situation today. A state

official said, “It is common knowledge that organized crime is involved in waste handling, but I don’t want to talk about it.” U.S. attorneys also were unwilling to talk about this issue.

Environmental safety and public interest groups. The editor of a newsletter on the waste industry, said, “The biggest provider of (medical) disposal is BFI (Stericycle), but now people are moving towards Sanitech. Organized crime definitely is involved in this. The more hazardous the waste, the more money there is to be made. Some of the recent takeovers (the concentration of takeovers) seem very suspicious. It is broken knee cap type of stuff, but it is hard to directly have evidence of it. The mafia is very involved in waste management in general. However, it depends on the definition of organized crime, meaning it is not what you would consider traditional mafia.”

An official with another public interest firm said, “Stericycle has had some difficulties, a couple of incidences of illegal dumping.” She hinted that more problems would be revealed soon.

Stephen Dresch of Forensic Intelligence said he believes organized crime is involved in medical waste disposal. He said, “There has been a lot of consolidation going on in this arena. The most recent example is the acquisition of Waste Management by USA Waste. The fourth or fifth largest company bought out the largest after itself, acquiring a lot of the smaller players like Mid America and United Waste Systems. Medical waste management is a decentralized segment of the waste industry. There certainly has been a fair amount of organized crime involvement in waste management in general. The people I’ve talked to in the medical area have told me that organized crime is a factor in the industry, but I don’t know any specifics. However, medical waste is not as organized as normal waste. The advantage of medical waste is that it is low volume, high price, and it is hard to trace, so there is not the same regulatory aspects. There have been recurrent reports of illegal disposal of medical waste because companies can get away with it. Organized crime is decentralized, but New Jersey and New York are notorious for it.”

An official with a trade association believes medical waste disposal is different from solid waste disposal. She said, “It is to hard for organized crime to be involved in medical waste management because it is hard to hide medical waste. I’ve worked for more than four years at this trade institute, and I’ve never seen any indication of organized crime involvement, especially not in medical waste.”

An environmental consultant accused Stericycle of “inadequate treatment, poor tracking documentation, packing problems (not using leak proof containers).” However, he did

not link the company to organized crime, “There is no hard evidence that I’ve seen in my 25 years in the business.”

On the other hand, Harold Crooks, who has written books about the waste management industry and now runs the Environmental Background Information Center in New York City, insists the mafia is **not** involved in medical waste disposal. He said, “Since the late 1960s, the industry has been reorganized, and the old muscle associated with organized crime has been replaced by financial muscle. Organized crime is really not a significant issue in waste management any more. When the industry was unregulated, there was a role for organized crime, but when so much regulation is involved and a lot of capital is required, there isn’t a role for organized crime. In the last 25 years, the criminal element has been eliminated. In the history of the evolution of the industry from underworld status to upperworld status, there were some companies with organized crime ties, but those companies are gone now.”

Crooks insisted that the major national carters are not mafia-run, or mafia-connected, though their business practices can be rather ruthless. He said, “There are always pockets where the influence of organized crime remains. The final pockets were in New York/New Jersey, and they’ve cleaned those up. ... Organized crime is absolutely **not** involved in BFI and Waste Management. I can’t say those companies don’t have predatory practices, but they are not associated with organized crime in any way. That is not to say, they don’t have a history of reprehensible practices. In San Diego, the situation was that Waste Management was treating customers like private property, kind of a vestige of the old industry that remains in the new incarnation. Organized crime is not involved in solid waste any more. These companies have a history of environmental problems, a history of treating customers like private property and a history of monopolistic behavior, but they are not associated with the five crime families.”

The problem with the major haulers – WMI, BFI and Republic – may be their financial models. Crooks said, “Because the companies are organized around short-term returns, they are always under terrific pressure to demonstrate to Wall Street that they are growth companies. They are on the lowest technological rung possible. They’ve never encouraged recycling. They encourage the most dubious forms of waste management – incineration and landfill – because those are the most profitable. A week doesn’t pass without a rural community calling us to ask how to stop Waste Management or BFI from importing waste into its community. These companies run over people with their influence and deep pockets, but not because they are involved with organized crime. This is not to white wash these big companies. I think the model that Waste Management has developed – and has addicted us to – is a socially, technologically, and ethically unacceptable model, and I wish these companies would be replaced by something else, but they are very entrenched, and Wall Street is addicted to their short term profits.”

An official with the Environmental Research Foundation agreed with Crooks. In the past, ERF had looked at the involvement of organized crime in waste disposal, but the official said, “I have no sense of the medical waste issue.”

Related Industries. An official with a regional firm said, “Mafia involvement with Stericycle? Not that I know of. I hope not.” An official with a Texas firm said, “There is no organized crime in our area. I know for a fact there is in New England, but there it is run by hands-on people (blue collar people), not highly educated professionals.”

New Market Entrants?

Some hospital environmental services officials believe it would be very difficult for a new company to enter the medical waste disposal market, but many are anxious for competition in this field. A Minneapolis official said, “If there were competition available, hospitals would more than welcome those new companies into the business.” A Boston official said, “If someone had the right prices and services, it shouldn’t be hard. I know someone who is trying to break into our market and give Stericycle some competition. Hospitals are loyal to a company that has the right price and service, but when their contract runs out, they will bid other haulers. People are not afraid to change haulers.”

An official with an environmental group said, “It would be very hard, very hard for a company to come into the market right now. The major problems are the volumes of waste and the toxicity.” Author Crooks believes it would be difficult for a major new hauler to enter the market, but not because of fears of reprisals from organized crime. Rather, he said the barriers to entry are regulatory and financial.

An environmental consultant disagreed, saying, “Somebody who wants to compete could do so regionally or at least could start out regionally.” An official with the Medical Waste Institute trade association said, “It would not be hard for a new firm to enter the market. Although it appears that Stericycle is the only (medical waste) provider, there are lots of regional companies, and a number of smaller companies are starting to expand. The companies that are going to make it are the ones that that survive on a regional basis.” ♣