

NEW JERSEY STATE COMMISSION OF INVESTIGATION

A REPORT
RELATING TO THE
GARBAGE INDUSTRY OF NEW JERSEY

OCTOBER 7, 1969



STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION

WILLIAM F. HYLAND
CHAIRMAN

CHARLES L. BERTINI
JAMES T. DOWD
GLEN B. MILLER, JR.

October 7, 1969

GOVERNOR RICHARD J. HUGHES

MEMBERS OF THE LEGISLATURE

Gentlemen:

The State Commission of Investigation
hereby submits its Report pursuant to Assembly Joint
Resolution No. 3 (JR-1, Laws of New Jersey, 1969).

Respectfully yours,

WILLIAM F. HYLAND, Chairman

CHARLES L. BERTINI

JAMES T. DOWD

GLEN B. MILLER, JR.

Pursuant to Assembly Joint Resolution No. 3 (JR-1, Laws of New Jersey, 1969, approved February 24, 1969); the State Commission of Investigation initiated an investigation of certain practices and procedures in the garbage industry which terminated in hearings concluded on September 24, 1969. In addition to the information ascertained through agents of the Commission, testimony adduced at its hearings and exhibits obtained through the power of subpoena, the Commission obtained access to and reviewed the Refuse and Garbage Practices Study conducted by the New Jersey Attorney General's Office in 1958 and 1959, transcripts of the Jones Senate Commission Hearings of 1958 and 1959, transcripts of the public hearings held by the Department of Public Utilities, and our staff reviewed statements by garbage contractors, a statement by the New Jersey State Municipal Contractors Association and portions of a grand jury investigation of the garbage industry.

As the foregoing indicates, this investigation is merely one of a line of hearings, investigations, grand jury inquiries and studies which have dealt with the problems of garbage and waste disposal in New Jersey. No positive action has yet resulted from these earlier efforts.

We believe, however, that a significant improvement can be accomplished by the legislation recommended in this report.

BACKGROUND AND FINDINGS

New Jersey's twenty-one counties are subdivided into 567 municipalities, which vary in size and population. Each, of course, requires an efficient method of waste collection and waste disposal. Unfortunately, there is a complete lack of uniformity in local government efforts to accommodate the need for waste collection and disposal. There is also the tendency of local government entities to act without regard to similar problems confronting neighboring communities when, as in the case of sanitary landfill, a regional program is clearly in the public interest. Each municipality has the discretion to adopt its own standards or not to adopt any standards to regulate its garbage collection. Consequently, remarkable disparities exist with respect to licensing and bonding of garbage contractors, bidding specifications, permit fees and specified collection equipment. Furthermore, local regulations are often loosely drawn, thereby negating any practical effect, or, in some instances are drafted so restrictively that they preclude more than one or two of a number of potential contractors from meeting eligibility standards.

The land areas available for waste disposal are decreasing and there is not, and will not be, much cooperation between municipalities in locating and operating dump or landfill areas. Although each town recognizes the necessity for a dumping ground, each municipality prefers that it be located beyond its own legal limits, i.e., in some other town. This is the kind of problem which must be solved on a higher level than the municipal one.

The State should consider the acquisition and operation of sites for waste disposal throughout New Jersey at locations which would benefit from landfill projects, such as reclamation of a portion of meadowlands.

The development of the technology and methodology of waste collection and disposal has not kept pace with the scientific advances in other industries or with our expanding population. Modern sanitation trucks with their ability to compact garbage and keep it covered are, of course, an improvement over horse drawn wagons of 100 years ago. However, aside from sanitary landfill, there has been no real improvement in waste collection and disposal during the past century. Nor has our work disclosed any real advances that soon will be forthcoming. Hence, we shall make our recommendations within the framework of the situation as we find it.

Trade associations exist to a large degree in the waste collection and disposal industry. This, in itself, is not detrimental to the public interest. In fact, as demonstrated in a number of other industries, such associations encourage technical advancements and also curtail undesirable industry practices. However, in this industry there are a number of trade associations which have constitutions or by-laws that seek to preserve the status quo. If one member takes a customer from another member, he is required to pay an indemnity or penalty to that other member based on a multiple of the monthly collection charge paid by the customer. For failure to do so, he may be fined by the trade association. The fines are substantial. Moreover, in some instances association members are given preferential price treatment by dump operators. Associations often bar new members unless they first receive approval from 75% of their existing members. The effect of these provisions and practices, of course, is to greatly discourage competition in the industry. By-law provisions encourage collusive bidding and preserve allocations of customers either by territories or on some other basis. The allocation of customers is perhaps the greatest vice in the industry. At present, there is no legislation in the State of

New Jersey which prohibits garbage collectors from parceling out towns, areas or customers to one another. Unless this vice is checked, more and more municipalities will be faced with the situation where they receive only one bid for their waste collection contracts. It is a take-it-or-leave-it proposition in a situation where you can't leave it.

Our investigation indicated that some organized criminal elements have been moving into the garbage collection and waste disposal industry in New Jersey. The movement here had its genesis in New York. Today, in a relatively incipient stage in New Jersey, it pertains almost exclusively to the commercial collection of garbage from factories and businesses rather than to the collection of garbage from homes. Some of the witnesses before our Commission indicated that "the boys" were "laying back" pending the completion of our investigation. Presumably, when it is over, activities will be resumed. The high capital investment required for modern garbage collection and sanitary landfill equipment makes it a natural avenue for the expansion of the activities of organized crime. With so many municipalities involved, the opportunities for bribery and corruption abound. The territorial

allocation vice referred to above compounds the whole situation. Who is to say whether the reason you only have one bidder is because of trade association by-laws or because the one bidder has terrorized the other possible bidders. For these reasons and because the paramount interest of our Commission is in organized crime, we plan to continue our investigation and surveillance of this aspect of the industry throughout the lifetime of our Commission.

RECOMMENDATIONS

The State Commission of Investigation recommends that the 1970 Legislature of the State of New Jersey:

(1) Enact legislation which will prohibit customer and territorial allocations in the garbage industry. This legislation should also prohibit price fixing arrangements and collusive bidding among waste collection contractors and make unlawful present trade association constitutions, by-laws and resolutions which prohibit or discourage one waste collector from taking a customer from another.

(2) Enact legislation providing for the licensing by the State (to the exclusion of municipal licensing) of all waste collectors throughout the state. This licensing law should provide for the availability to the public of

the names of the real persons in interest of each waste collection and waste disposal company.

(3) Enact legislation prohibiting the discrimination either as to availability or as to price in the use of privately owned waste disposal areas.