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The Wages of Short-Term Thinking

Privatization and governmental fiscal constraints were hot topics during the 1992 campaign season, couched under the heading "reinventing government." Though the term faded from view as quickly as the "Contract with America" in the press of day-to-day living, its legacy lives on in ways that were not always intended. Indeed, during the past four years we've seen some pretty amazing things take place, none more perplexing than an ever-widening waste-disposal debacle in Southern California.

A good place to start is 1994 when a huge government entity--Orange County, CA--declared bankruptcy. While attempting, in 1996, to convert excess landfill capacity to cash in an attempt to cover some of the debt, the county's supervisors decided to raise tipping fees nearly 60% from $22/ton up to $35/ton for local haulers while lowering the fees to $18/ton in order to attract waste from outside the county. Not surprisingly, this strategy met with less than enthusiastic support on the home front, at the same time infuriating neighboring waste authorities who were forced to abandon established plans to meet what amounted to a raid on their wastestreams. A number of districts within the county decided (or at least transmitted the intention) to send waste to landfills elsewhere to take advantage of lower tipping fees. Realizing that waste disposal options were just as subject to the laws of supply and demand as had been the money market schemes that got the county into hot water in the first place, the supervisors cut the in-county rate to $27/ton, believing the new fee sufficiently competitive to discourage the flight of waste elsewhere. The result of such shrewd business acumen, the supervisors reasoned, would be a $15 million bonanza, never mind that the "below-the-market" pricing (we'd call it "dumping" if another country did this) was sure to raise havoc with solid waste plans throughout the entire region.

In 1995, supervisors for neighboring San Bernardino County stirred the pot still more by voting 3-2 to issue a sole-source contract for all its waste operations to NORCAL Waste Systems Inc. in San Francisco, CA, paring its own staff by more than 90% in the process. When Orange County cut its outsider rate to $27/ton in 1996, NORCAL's $35.50/ton tipping fee was in trouble, forcing the county to negotiate long-term contracts with its cities at lower rates...in the range of $30 to $33/ton. Then Riverside County--mutual neighbor of both counties--entered the fray by lowering its tipping fee to $25/ton. Things were heating up quite nicely.

In mid-September 1996, Los Angeles County's BKK Landfill closed, setting the stage for what some will consider a rather bizarre situation...a trash-swap of 1,000 tpd across the Orange County line. Taormina Industries of Anaheim (Orange County) elected to ship 1,000 tpd to El Sobrante Landfill in Riverside County--owned by LA County-headquartered Western Waste Industries--for an undisclosed fee that includes a $12.40/ton override to Riverside County. Meanwhile--get this--Western Waste began shipping 1,000 tpd (previously bound for El Sobrante) from the city of Carson in LA County, to Olinda Landfill in Orange County.

Confused? Taormina and Western Waste aren't. They couldn't be happier with the deal since the former is able to avoid Orange County's $27 in-county fee while the latter takes advantage of the $18 out-of-county inducement. At first blush Orange County's balance sheet starts out looking something like this:

Gain (Western Waste)	$4.6 million
Loss (Taormina)	$8.1 million
Net revenues	- $3.5 million

Not good, you say, but wait. From the Board of Supervisors standpoint, things don't look so bad since the $4.6 million from out-of-county waste goes into the general fund whereas the $8.1 million loss belongs to the solid waste department. (Can't you hear the explanation at reelection time: "Don't hang the loss on us. It's the landfill that's losing the money."?) If you're a county resident, however, you're not so well-off since the $3.5 million deficit is real. Worse still, that $4.6 million out-of-county draw against the county's landfill capacity goes to the general fund. Waste management is left holding the bag. Another loser in this particular situation, of course, is the waste management establishment throughout the entire region that has been thrown into chaos by the political and fiscal finagling. Unfortunately, it is not obvious how to tote up the damage, nor is it obvious just when or how things will come back to even keel.

If this kind of situation were confined to Southern California, you might be tempted to dismiss it as par-for-the-course for people who live too much in the sun. Unfortunately, things are not that parochial. We're talking money here, not stewardship. Where management decisions are driven by short-range financial considerations, waste disposal is bound to chase the least-cost option regardless of logic or long-term consequences. This will not come as a surprise to MSW managers who have fought such battles from day-one, but it is important to recognize the increased threat to rational waste management at this juncture resulting from the fiscal strains felt by governmental agencies, exacerbated by the supposed (and inevitably short-term) panacea of privatization.

There are real and compelling reasons for jurisdictions to consider privatization of certain of their waste services, but these do not extend to the underlying purposes and principles on which the entire system is based. The viability of long-term community necessities cannot be left to the whims of people or entities with short-range agenda regardless of what may appear to be overriding concerns or opportunities. Foxes should not be left to guard hen-houses, not because foxes are bad, but because their nature better suits them for other purposes. The same is true when it comes to private industry or the political establishment. It is up to all who understand the danger of short-term thinking to see that it is not allowed to prevail for lack of opposition.