

On the threshold to dominance: Private business in German waste management in Germany, 1945-1980

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During the 1990s, waste management in Germany experienced eventful times. The introduction of the so-called “dual system” (Grüner Punkt, green-dot-system) in 1990 implicated deep changes of institutional regulation. Recycling became a major business, disposal underwent decisive changes, and waste management as a whole appeared as a promising market for the future. At this point of time big energy suppliers like RWE and others invested a lot of money, went into the business and bought major shares of private waste management companies. This seemed to make sense due to waste-to energy processes, disposal of combustion residues and experience with household infrastructure. But astonishingly, after a few years these companies sold their stocks again because they lacked the necessary experience to compete in this difficult business. Today, after many mergers, private waste management in Germany is dominated solely by private companies like Remondis, Sulo, Alba and a few others.

This example seems to show that companies in the field of waste management obviously need a lot of experience to compete successfully. When private firms like Remondis, Altvater, Alba and others had their breakthrough in the 1980s they were actually no “start-ups”. Most private companies were founded around WW II and had since then grown to middle sized companies, building up their own networks for waste collection and disposal. During the 1970s, they replaced public authorities as main drivers of rationalisation and innovation in the field of waste management. In the early 1980s finally, more than 50 percent of German people’s waste was collected by private firms. However, this was a “hidden” development because this firms provided their service mostly to small and medium sized cities, while bigger cities were still dominated by public cleansing departments.

This paper deals with the emergence of private waste management companies until their breakthrough in the 1980s. It traces the development of the branch from the beginnings in the 1950s until the early 1980s and wants to outline the decisive factors for their long-term success.

Beginnings

The history of private waste management in West Germany reaches back into the 19th century. In most cases local peasants were hired by the towns to carry the waste out of inner cities. But in course of the emergence of the concept of “Städtehygiene” (city hygienics) and when towns started to install a regular waste collection, these private contractors were

replaced by public cleansing departments which accroached the collection service. In the era of “Munizipalsozialismus” (municipal socialism) the notion prevailed that local authorities could solve the task of waste collection better and cheaper than private contractors who often proved to be not very reliable. Administrations put through what was later called “Leistungsverwaltung”. A rare exception was the city of Munich which assigned a private waste management company until short after WW II.¹

Most of this companies started from scratch: Remondis, Trienekens and other “self-made entrepreneurs” started with a few lorries. Sometimes a farmer needed someone to extract his sludge or they collected a few village´s household waste. From the start, however, the collection and disposal of industrial waste was an important business segment. Even if most firms did not care much about the disposal of toxic waste: sometimes they need someone to carry away chemical residues. Many firms were also involved into scrap trade.

Concerning the collection and disposal of household waste there was no reliable market until the 1970s. In most rural areas in Germany no regular waste collection existed because it was simply unnecessary. The garbage could be burned or disposed in gardens or fields. For other things there were new utilisations, metals could be sold to regional trash-peddlers. Innovations like the introduction of self service stores, oil heating systems etc. which increased the amount of waste enormously, mainly spread in the cities. The consumer society´s blessings, however, should reach the country too. But this process of catching-up, which occurred during the 1960s and especially the 1970s, originated a continuous expansion of private companies in this field.

A new field of business: 1960-1972

In the postwar period, German city structures underwent a deep change. Outer districts, which formerly had been some kind of villages became real suburbs, which urged public authorities to extend the collection service. But also the country was changing. The motorization and the extension of the infrastructure made it possible to live in the countryside and work in the city. The same development made supermarkets accessible to villagers. Also the replacement of coal oven´s by oil and gas heating systems slowly trickled into the country. So the reasons for the town´s growing amount of waste became more and more relevant for villages and small cities as well, what made also a regular waste collection necessary.

This development slowly opened up new opportunities for private firms. In most cases, the public authorities were unable to establish a regular waste collection service because buying a vehicle for very few people did not pay off. Cooperation between small municipalities normally fell through because of administration problems or regional jealousies. Therefore, it was easier to hire a private contractor who covered a bigger area and could seize the economies of scale.

¹ Peter Münch, Stadthygiene im 19. Und 20. Jahrhundert. Die Wasserversorgung, Abwasser- und Abfallbeseitigung unter besonderer Berücksichtigung München. Göttingen 1993.

This was the basis for private firms to go into the field of collection and disposal of household waste. In 1961 the VPS (“Verband privater Städtereinigungsunternehmen”) was founded. A few years later the association had a few hundred members, mainly small companies. During the next ten years the VPS became a powerful lobby group for private waste management. Like its pedant VKF (“Verband kommunaler Fuhrparksbetriebe”), the association of public cleansing departments, the VPS acted not merely as a pressure group for the firms but also as an organisation to spread knowledge and new techniques. Numerous scientific presentations were held on the annual convention, the newsletter informed the firms about new development in the legislation etc.

In the late 1960s, private firms started their first attempts to break into the field of regular waste collection of bigger cities. Mannheim’s public authorities for instance received numerous letters from the Altvater-company, since 1963 a subsidiary of the bin producer Sulo. These letters appeared as a mixture between an offer and a victory announcement: the company declared that they took over the service in Geisslingen, Nördlingen and some other minor cities in southern Germany and asked the city to do the same. The public authorities in Mannheim doubted that a company like Altvater was even able to provide a regular service in a major city with approx. 300,000 inhabitants and probably these letters were actually intended as a provocation. But to a certain degree they marked the beginning of a new era: from now on, public cleansing departments had to take private firms seriously.

A turning point in the history of German waste management was the Abfallbeseitigungsgesetz (solid waste act) from 1972 which also deeply affected private firms. The most important clause established the municipality’s responsibility for the collection and disposal of their solid waste. The VPS severely protested against the law’s first version. That clause meant to them that the public authorities could throw private contractors out of the business. After some negotiations a passage was included that it was permitted for public authorities to hire a private contractor to fulfil the task. Indeed, this meant nevertheless that on the basis of the law cities and counties were able to quit existing contracts.

Even in the late 1990s a publication by the VPS maintained that the law’s main purpose was to damage private waste management. On the other side, Heinrich von Lersner (becoming the Umweltbundesamt’s first director in 1974) stated that the additional passage was not really necessary, because it was also in the law’s original version possible for the municipalities to hire a private contractor. The latter statement was maybe a little bit naive because in some cases local authorities interpreted the law in a different way than intended by its authors and German courts sometimes did so as well - especially in the controversy concerning the difference between rubbish (“Abfall”) and economic goods (“Wirtschaftsgut”). But concerning what we can see from the sources, von Lersner was definitely right that the clause was not written in bad faith. In fact, at this point of time the people in charge did not think and did not care much about private waste management companies. For them they were simply of minor importance and anything else than dangerous competitors to public cleansing departments.

All in all private firms had no reason to complain because in reality the “Abfallbeseitigungsgesetz “ did private waste management a big favour. It was no longer

possible for municipalities and in the countryside to avoid a regular waste collection. And because they were in most cases unable to provide the service themselves they were forced to hire private firms. A whole new business opened up.

A divided field: the expansion of private waste management 1972-1980

During the 1970s, private business in waste management became more and more important. In the early 1970s, 25% of household waste was collected by private firms, in the late 1970s this number was grown to 35% and in the decade's end approximately the half of all household waste was collected by them. At this point of time, for almost all people in West Germany a regular waste collection existed. Small department stores in rural areas were dying one after the other. The amount and composition of waste in the countryside became more and more similar to what could be found in big cities; regional "waste profiles" ceased to exist.

But it was not the dominance in rural areas alone that caused the success of private firms. In most cases the latter proved to be more cost effective than their public competitors, even if they had to pay a sales tax what cleansing department did not. The first reason why private firms could provide a cheaper service was that they had lower labour costs. During the 1960s, when the West German economy gained full employment, the labour market was very tight and public cleansing departments had to pay high wages to attract workers for a very hard and unpleasant job. Ten years later, however, West Germany had to experience the come-back of unemployment and therefore private firms were able to hire workers for lower wages. They recruited also successfully those workers who wanted to stay in their home village or small town.

The second reason was rationalisation. During the 1950s and 1960s, every endeavour has been made by cities to raise the standard of waste collection and to mitigate the problems caused by the severe scarcity of workforce. While they had enough money, the growing amount of waste and a very tight labour market mattered most to German cities. This was one reason why technical efficiency was more important than cost effectiveness. Vehicles and bins were expensive and the wages of bin men relatively high. Private firms in contrast brought a kind of rationalisation to the fore which mainly strived for cost efficiency. Thereby they took advantage from the introduction of plastic bins and new bin types which made an effective rationalisation of labour organisation possible; something public cleansing departments had always difficulties with.

A third reason was narrowly connected with the Abfallbeseitigungsgesetz and an emerging consciousness for questions of environmental protection. The amount of household waste was still rising during the 1970s, but the range of tasks expanded too. Industrial waste turned out to be a major problem and private firms dominated this field. However, the issue of toxic waste brought about a bad image of private firms because some of them were involved in the illegal disposal of dangerous chemicals. Recycling became a big issue as well and public authorities very often hired private contractors. They felt unable to provide this service and lacked the experience and necessary connections to processors of secondary raw materials. One of the main effects of these developments was that private firms started to build up their

own disposal and recycling infrastructure. While in the 1950s and 1960s the main innovations were made by innovative cleansing departments, private firms now attained technical leadership.

In the mid-1970s, private waste management companies felt confident enough to attack public cleansing departments directly. In 1975 the VPS launched a newspaper article claiming that in the city of Dortmund a private company could provide the waste collection service substantially cheaper than the local authorities. The latter attempted to calm down the public opinion by claiming that the calculation did not include disposal costs.² But they could not prevent the emergence of a broad discussion on the lack of competition in the field of waste management.

Compared to other cities the collection fees in Dortmund were relatively low, mainly because the city had enough landfilling space. But when a private firm was able to undercut even these relatively low fees, other cities were in the pickle even more. Therefore, the VKF hastened to write a circular letter advising the cities to reject such offers. In their opinion private companies were able to provide a cheaper service only by exploiting their employees. The latter turned out to be exhausted after a relatively short time and when this was the case, companies released them. Last but not least, a contract with a private firm would bring about big troubles with trade unions.

The VKF was very concerned during the 1970s not to open up an opportunity for private companies to break into the territory of public cleansing departments. Therefore, he tried to pledge the cities to close ranks. However, the accusations against private firms were not completely made up out of thin air. The lower wages private firms paid caused constant problems with trade unions, especially the powerful ÖTV (responsible for employees in public services and transport business). For this reason, and also as a step to further professionalization, the VPS settled with the ÖTV in 1975 and agreed to pay tariff wages. However, the association was unable to prevent that some companies stepped out of line and continued to hire employees for lower wages. But this proved to be, after all, a short term phenomenon.

Conclusion

Even after the union settlement and unsuccessful requests to abandon the tax on total sales: private firms remained more cost effective than public cleansing departments which felt more and more under siege. They had reasons to do so. The renewed solid waste law in 1986 marked a further step to a thorough privatisation of waste management in Germany. In the late 1980s, private firms started to conquer the territory of cleansing departments: as sole contractors or in form of Private Public Partnerships (PPP). Today it has become a rare exception that the waste collection service is provided by the local authorities themselves.

Finally, I want to highlight two points. Firstly, the field of waste management (the TV series “The Sopranos” is a good example for this) appears very often as a criminal field, a

² Letter VPS to the ÖTV (9.9.1975). StA Dortmund, 170, 129.

playground for the Mafia etc. The case of German waste management shows that this is a branch where a good network is necessary as well as a lot of knowledge and experience. Therefore, it appears as a dirty but also very demanding business.

Secondly, it is striking that state regulation obviously did not prevent competition but astonishingly assisted the ascent of private business in waste management. Regulations had the effect of overburdening local authorities and so they were eager to convey tasks to private contractors. So the conclusion could be that - to a certain degree - regulation does not prevent the emergence of markets but creates them. But someone has to be careful: In the long run a fierce competition between local authorities and private companies emerged but significantly not to the customer's benefit. Fees for waste collection today have reached the highest level in German history.