Laidlaw Waste Disposal Case Study

Posted on March 14, 2019

Background

Laidlaw is a holding company that has subsidiaries and facilitates the transportation of people throughout North America. It was founded in 1924 for waste management, and it was one of the most profitable companies, reporting a profit of 346 million U.S. dollars in the year 1998. The company then underwent a turn of changes in 1999, when it had debts amounting to more than 3.1 billion U.S dollars. This was attributed to the hostile acquisition strategies and the increased revenues which came along with increased debts. The company offers transportation services, waste disposal management and emergency healthcare services.

Key Issues

Poor financial performance: In the provision of emergency health care services, Laidlaw announced that approximately 2200 positions of the division's workforce were eliminated in 1999. This was done by the restructuring program, which required underperforming locations to be closed or sold.

Contract price: This has led to a lot of competition in the provision of emergency health care services. The renewal and extension of these contracts are based on the cost and the services performed. Emergency physician practice management contracts depend on the cost and the ability to utilize and communicate between the emergency room and the other departments in the hospital. (Byars & Stanberry, 2018)

Contract renewal: In the U.S., the contracts are agreements ranging from three to five years, and in Canada, the contracts are renewable annually. This poses a key issue since the school has the option to extend the contract or call for new bids.

Competition in waste management: Laidlaw faces major competition from two main waste management companies. Allied Waste Industries collects garbage and trash from customers in the United States. Republic Services Company also provides waste disposal services throughout the U.S.

Class action suits: Laidlaw Company owns approximately 44% of the common stock of Safety-Kleen Corporation in the disposal of waste materials. The corporation has recently been involved in financial underperformance, and top executives were fired due to accounting irregularities. The company has received several class action suits since April 2000, and this has forced Laidlaw to hire Lazard Freres & Co. LLC.

Competition in health services: Laidlaw Company faces competition from five corporations. First, the American Medical Alert Corporation provided monitoring devices and fire and burglar alarm monitoring. The second competitor is the Community Medical Transport Company, which offers ambulance services to patients. The third competitor is the Rural Metro Corporation, which provides ambulances, fire protection and a variety of protection and safety-related services. The fourth is the Med-Emerg International Corporation, which owns clinics. Finally, the PhyAmerica Physical Group, Inc. provides contracts for physicians mainly to emergency rooms, hospitals, government institutions, the military, veterans' administration, and correctional facilities.

Risks

Education services provided by the company run the risk of termination of the school bus agreement contracts. This is because the contracts are only renewable at the option of the schools, at which point they can opt for new bids. The company can also incur fluctuating rates in case of a decrease in their school buses, the number of students and the number of routes covered. This would result in financial losses.

The emergency services provided by the company face a lot of competition in the renewal and extension of medical contracts. The company is likely to face financial risk if there is no proper utilization of cost and practical communication between the various departments in the hospital to avoid financial misuse. (U.S. Environmental Protection Agency, n.d.)

The company runs the risk of financial loss due to poor financial performance. This is due to the existence of underperforming departments in the organization. These departments lead to the misuse of financial resources allocated to them.

The company faces the risk of closure of the waste management services offered. This is a result of the financial accounting irregularities observed and also the extra cost incurred to hire Lazard Freres & Co. LLC for waste disposal services as a result of the class action suits facing Safety-Kleen Corporation.

Recommendations

Reconstruction: This involves the alteration of the capital structure of a particular company. Laidlaw Company can carry out reconstruction to ensure that its debt-to-equity ratio is feasible to overcome its financial difficulties, which have resulted in losses, and also to extend the objectives of the company. (Bright & Cortes, 2019)

Take-over arrangements: This involves the acquisition by one company of sufficient shares of another company. Laidlaw Company should carry out a take-over scheme over Safety-Kleen Corporation. This will ensure that there are no financial misallocations and irregularities. The company will have full control over the waste and disposal services. There will be no need to hire another company to carry out these services, reducing the hiring cost.

Amalgamation: this is a situation where two or more companies are united in their operations through some combined ownership. This company can carry out amalgamation with most of its competitors in the waste disposal industry and emergency provisions services. This will ensure it continues to operate and be in a competitive position.

References

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