



January 22, 2014

Wayne Gjerde
Recycling Market Development Coordinator
Minnesota Pollution Control Agency
520 Lafayette Road N
St. Paul, MN 55155

Re: MPCA Recycling Refund System Cost Benefit Analysis

Dear Mr. Gjerde,

I am pleased to submit comments on behalf of Strategic Materials, Inc. (SMI) to the *Draft Recycling Refund System Cost Benefit Analysis* Report released earlier this month. SMI is the largest glass recycler in North America processing more than 3 million tons a year saving nearly 951,000 metric tons of carbon dioxide equivalents. This equates to removing nearly 190,000 automobiles from our roadways. The Company operates 40 materials processing plants in the United States, Canada, and Mexico. Our plants create products that are used to make fiberglass insulation, food & beverage containers, reflective materials, abrasives and other consumer and industrial products.

We have extensive experience operating redemption centers and processing container deposit generated glass, aluminum, and plastic. Today we operate more than 300 redemption centers in California stretching from San Diego to Cloverdale, 70 miles north of San Francisco. Our company was one of the first and now we are one of the largest convenience zone recyclers. Go to www.nexcyclecalifornia.com for more information. SMI processes glass containers from every bottle bill state in the US including Hawaii and the Canadian Province of Ontario where we are processing plastic and aluminum containers as well.

In 2011 we set a zero landfill goal for our plants leading us to find innovative ways to recover additional material streams such as clean UBCs and new markets for existing materials such as fines, low grade metals, and PET.

We appreciate MPCA's efforts to find innovative ways to recover beverage containers and to fairly evaluate the costs. For the most part, the report is very thoughtful and shows innovative thinking. Below are our questions and comments to the report:

- **No glass should go to waste:** There are no justifications behind the mileage splits on glass transportation presented in the report. SMI currently receives glass at our Twin Cities beneficiation plant from distances greater than 270 miles. Glass can be economically transported by end-dump trailers 20 to 24 tons at a time long distances. From an environmental perspective, the end-use for glass is more important from an energy-savings stand point than the energy used to transport it (Oregon DEQ). SMI is willing to help develop higher volume sites that could



transport this way. It would be helpful to evaluate the system being proposed to understand how many facilities and what volumes are estimated to fall into each split.

- **Recycling rate for glass:** SMI believes the recycling rate for glass in the report is too high. While we don't have an exact number, we believe the 47% rate quoted in the report is overstated.
- **Material flows:** Almost all non-aluminum beverage containers are subject to some sort of secondary processing prior to reaching final end-use markets. PET and HDPE bottles must be washed, flaked and in some cases pelletized prior to being made into new products. There are steps in the system (and therefore costs) to clean up these materials to make them ready for end-use markets that must be recognized equal to the beneficiation of glass.
- **Financial flows:** The financial flows diagram leaves off the revenue received by glass beneficiation (and other materials beneficiation – see above) from end markets.
- **Jobs:** What is the basis for the 14 new jobs projected to be created in glass beneficiation impact analysis? Using the Container Recycling Institute's "Measuring the Impacts from Recycling on Jobs Calculator," the 53,000 new tons of glass should generate closer to 20 jobs. Further, if the goal is to create jobs; more jobs could be created by having staffed redemption centers.
- **Fraud:** Not enough state resources are given to identify, fight, prevent, and prosecute fraud. The Beverage Container Recycling Organization cannot be expected to police itself and the state must provide that oversight. The support for the oversight and fraud protection should come from the regulated industry.
- **Capital:** From what I can tell, the cost benefit analysis does not take into account capital expenditures required to retool glass beneficiation plants to process a greater mix of bottle-bill material.
- **Glass processing costs:** SMI believes \$21 per ton for processing glass in the northwest part of the state may be too low. In addition no costs are estimated for partially breaking glass at the baling facilities in the 160 to 270 mile range.
- **Material revenue assumptions:** The material revenue assumptions for glass are not representative of the current marketplace. In our opinion the price per ton for bottle bill grade glass might be slightly too low.

Finally, based on my experience, the MRF redemption program presented in the report is very unrealistic and is actually a disincentive for MRF operators to recover redeemable material that come through their facility. Modern MRF's are designed to make money processing high volumes of materials at high speeds. In order to implement the proposed redemption program they would have to slow down their lines and reduce their efficiency and therefore revenue. In addition, they would have to incur added capital costs to modify processing lines to store (and protect from theft) separated redemption beverage containers. In addition, material would have to be delivered to the redemption system. A simpler, more efficient system such as letting MRF operations redeem containers based on weight should be developed. Such a system, if implemented would allow for additional material to be redeemed upping the redemptions by an additional 10,600 tons.



Thank you for the opportunity to comment on the *Draft Recycling Refund System Cost Benefit Analysis*. Please feel free to contact me if you have any questions. I can be reached at 281-647-2774 or r Abramowitz@strategicmaterials.com.

Sincerely,

Richard Abramowitz

Richard M Abramowitz
Vice President of Government Affairs