TIRE RECYCLING INDUSTRY PROPOSAL

TO:

California Environmental Protection Agency
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Special Waste Committee Public Workshop

Cheryl Peace, Committee Chair
Linda Moulton-Patterson, Member
Carl Washington, Member

PUBLIC COMMENTS ON FIVE-YEAR PLAN FOR THE WASTE TIRE PROGRAM

Wednesday, September 29, 2004

BACKGROUND

The 1989 legislature of the State of California recognized the logistical and ecological problems faced with the annual disposal of 33 million waste tires generated in the State. Concerned with the potentially devastating effects of groundwater contamination, air pollution, and soil contamination from waste tire stockpiles catching on fire; they addressed the problem of waste tire stockpiling with the California Tire Recycling Act in 1989. In this Act the legislature directed the creation of a statewide tire recycling program. Over the years, the legislature directed the California Integrated Waste Management Board through mandates and resolutions to mitigate the waste tire problem. This culminated in the passage of SB876 in 2000, establishing a Tire Recycling Fund to augment the California Tire Recycling Act.

The Board has sought to implement waste tire programs to address the legislatures concerns through waste tire stockpile cleanups and regulation of the waste tires generated each year. The Board has also pursued other avenues to address the problem through studies, conferences, grant, loan, and education programs. Many of the grants awarded by the Board were intended to stimulate existing markets or create new products that use a large percentage of crumb rubber in their manufacture. The thought being that would result in an increase in demand for crumb rubber thereby, resulting in the recycling of more California waste tires. Noble efforts with varying degrees of success.

The backbone of tire recycling is the industry that takes whole scrap tires generated in California, diverts them from disposal at landfills or incineration and recycles them into crumb rubber. However, as illogical as it seems, the California tire recycling industry has been totally overlooked as a recipient of its namesake fund; The Tire Recycling Fund. The recent demise of three crumb rubber producers, Atlos Rubber, a pioneer in the production of crumb rubber going back three generations, Bay Area Tire Recycling and RTG should be of concern to the CIWMB. In the past year, three of seven California waste tire recyclers have ceased operation due to economic failure and the remaining four are in jeopardy of a similar fate.

Crumb rubber is a commodity. There is no differentiation between crumb rubber produced from a facility in Ontario, California or in

Ontario, Canada. Since there is no differentiation in crumb rubber sold into the marketplace, the delivered price of the material is the determining factor in supply of crumb rubber. We tire recyclers in California are at a severe disadvantage as compared to tire recyclers in other states or countries because of the governmental price support provided by these other states and countries to their tire recyclers.

For example, the State of Utah has a fee on all new (highway vehicle) tires sold in Utah of $1.00 per tire. Under their Waste Tire **RECYCLING** Fund they reimburse their tire recyclers $75.00 per ton for each ton of crumb rubber produced. The Fiscal Year 2003 tire fund expenditures was $2,337,554 and estimated to be $2,604,045 for FY 2004 going to the tire recyclers. In British Columbia, the Financial Incentives for Recycling Scrap Tires (FIRST) Program provides up to $183.00 per tire ton for crumb rubber (about $135 per ton in US funds) from the tire fees collected to the tire recycler. In Arizona a fee is collected on the sale of new tires. The state collects the fee and allocates it to the counties, which are responsible for tire disposal. Maricopa County, having the most of the population in the state, pays it tire recyclers $50.93 for recycling passenger tires and $62.90 for processing truck tires. In all these examples, as well as in other states, a fee is imposed on the sale of a new tire under the auspices of recycling the waste tire generated in the sale of a replacement tire. In all these other cases, a **portion of the fee actually goes to the tire recycler** for recycling the waste tire into crumb rubber.

There is no magic bullet in whole tire recycling. Tire recycling requires expensive size reduction equipment, containment removal systems (for steel and fabric), high energy usage, continual maintenance, and a constant and reliable supply of waste tires. However, the direct reimbursement to tire recyclers for crumb rubber produced in other states and countries put California crumb rubber producers at a tremendous disadvantage. Direct payments made by other states and provinces to their respective tire recyclers (crumb rubber producers) allow these companies to offset their selling price for crumb rubber up to the amount of reimbursement received. Hence, we California producers are not competitive in our own back yard. Not because we are less efficient or have less capital invested, but because of reimbursements they receive and we do not.

PROPOSAL

We, the California tire recycling industry, are at the forefront in the diversion of waste tires from landfill disposal. We produce the crumb rubber, derived from the recycling of California generated waste tires, that is incorporated in a variety of products and processes. The fees on new tires collected by the State are done so in the name of recycling California waste tires. Though there are fewer of us tire recyclers now than a year ago, we continue to recycle waste tires into crumb rubber. In an effort to stem the tide of crumb rubber being produced out of state and dumped into the California marketplace from subsidized foreign (other states and countries) producers; we propose that a designated portion of the **California Tire Recycling Fund** be allocated to the waste **tire recycling industry**. We need a level playing field in which to compete.

The Board needs to specifically recognize the essential role of the tire recycler in the allocation of funds in the next revision of The 5 Year Plan For The Waste Tire Program. Without the means to remain competitive in the supply of crumb rubber, the tire recycling industry will further constrict to the point of non-existence. The Board, through previous criteria and grant awards, recognized the necessity of promoting new crumb rubber markets and assisting established markets for crumb rubber demand to grow. The question now is, will that demand be filled by producers of crumb rubber derived from the recycling of California waste tires or be crumb rubber derived and supplied by producers outside the state.

For the purposes of this Proposal for the Funding requested, we believe that the tire recycling industry in California should be defined as those companies that have been in the whole tire recycling to crumb rubber business in California at least four years and currently produce at least ten million pounds of crumb rubber annually.

Part A

A landfill diversion and recycling credit will ensure that a viable whole tire recycling industry remains in California and that at least a portion of the **California Tire Recycling Fund** go toward actual **Recycling of California Waste Tires**. This will divert disposal of waste tires from: single pass landfilling, alternative daily cover (ADC), and incineration, and increase the percentage of waste tires that are recycled each year.

We propose that the CIWMB, based on the above definition for the tire recycling industry, establish a system for a Landfill Diversion and Recycling Credit to the producers of crumb rubber in an amount of 5 cents per pound for each pound of crumb rubber produced and sold that is derived from the recycling of whole waste tires generated in California. We foresee a financial impact to the California Tire Recycling Fund of approximately 15% annually or up to $5,000,000. In addition, this new allocation advances the Board's stated mission of promoting waste materials to their highest and best use.

Part B

Crumb rubber is a commodity product derived from the recycling of waste tires. Unfair competition from subsidized producers of crumb rubber outside the State of California has resulted in a depressed market price for crumb rubber over the past 5 years. Whole tire recyclers in California have seen their businesses go from marginally profitable to break even and for the past several years, money losers, without any profit stream of capital to update, streamline, automate, and generally make their operations more efficient.

Additional Grant Funding, specifically directed to whole tire recyclers of California waste tires for capital improvements, needs to be put into place. Greater efficiencies, in the process of recycling waste tires and additional output derived per unit of energy used, not only increase the industry's ability to recycle more waste tires but also, will do so at a lower cost per pound of crumb rubber produced. This allows the industry to provide a reliable and consistent supply of crumb rubber to the gradations and specifications required by the various industries, on time, in quantity, and competitively priced. We must have the ability to continuously update production capability and capacity with the latest technological advances in equipment and processes for the industry to survive. More efficient production resulting in lower processing costs will further assist the California tire recycler to level the playing field with crumb rubber being imported from other states and other countries.

This new funding, provided by the CIWMB, will increase the number of waste tires annually recycled. An annual set aside of $1,000,000 for replacement equipment and capital improvements to existing whole tire recycling systems and facilities, as defined above, would allow for increased efficiencies in the production of crumb rubber, the recycling

of additional waste tires, and a lower cost per pound of output of crumb rubber.

Part C

Energy costs in the State of California have historically been some of the highest in the nation. Two years ago, with de-regulation in full swing and the Enron debacle unfolding, energy costs to the energy users in the state doubled. Tire recycling is an energy intensive process and as such, the tire recycling industry was especially hard hit with the monumental increases in the cost of energy. In a continuing effort to support the tire recycling industry, as defined above, we propose that an energy credit be made available to the industry. A grant or credit offset for 50% of the energy used in the process of recycling waste tires into crumb rubber seems to be a prudent use of the tire fees collected for tire recycling.

The estimated annual cost of an energy offset would be $2,000,000.

SUMMARY

In the State of California over 33,000,000 waste tires are generated each year. In an effort to prevent an ecological disaster of a burning stockpile of waste tires and provide environmentally sound disposal guidelines, the legislature passed the California Tire Recycling Act in 1989. The CIWMB, at the direction of the legislature, created various programs and regulations to address the waste tire problem. In 2000, SB876 created a fee on the sale of each new tire sold in the state and established the California Tire Recycling Fund.

The Board, through grant funding, has increased the demand for crumb rubber by stimulating existing markets and assisting new product development of crumb rubber products. However, 3 of the 7 crumb rubber producers in the state have ceased operation in the past year. The tire recycling industry in California is facing stiff competition for the sale of crumb rubber from tire recyclers receiving direct subsidies from their respective states and provinces. California tire recyclers, the crumb rubber producers, do not have a level playing field in supplying against subsidized producers. We propose that the Five Year Plan For The Waste Tire Program be modified to include a Landfill Diversion Credit, to the California Tire Recycling Industry in the amount of five cents per pound for crumb rubber produced that is derived from the recycling of California generated whole waste tires.

The California Tire Recycling Industry, defined as those companies that have been in the whole tire recycling to crumb rubber business in California at least four years and currently produce at least ten million pounds of crumb rubber annually, need assistance with a dedicated allocation from the Tire Recycling Fund if we are to continue to divert waste tires from landfill and combustion technology disposal. We need a diversion credit of up to five cents per pound to level the playing field against foreign subsidized material. Additionally, we propose that the existing grant program be modified to allow for an annual one million dollars set aside for capital improvements for waste tire recyclers as defined above. Finally, we request that an energy reimbursement or credit be established for the industry.

The mission statement of the California Integrated Waste Management Board, promoting waste materials to their highest and best use, supports the implementation of these three additional budget items.