

**STATEMENT OF JOEL DENBO
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WASHINGTON, D.C.**

**BEFORE THE
SUB-COMMITTEE ON
ENVIRONMENT AND HAZARDOUS MATERIALS
HOUSE COMMITTEE ON ENERGY AND COMMERCE
SEPTEMBER 8, 2005
WASHINGTON, D.C.**

Mr. Chairman and Members of the Sub-committee, my name is Joel Denbo. I am here as Chair of the Institute of Scrap Recycling Industries (ISRI). ISRI is the trade association that represents 1,260 private, for-profit companies that process, broker and industrially consume scrap commodities including metals, paper, plastics, glass, textiles, rubber and electronics at nearly 3,000 facilities worldwide—over 80% of those facilities are located in the United States. Approximately 300 of our 1,260 members handle electronics, either exclusively, or as an aspect of their other recycling activities. I am also the third generation leader of Tennessee Valley Recycling, a company my family began in 1907 that currently has plants located in Alabama and Tennessee.

In the minds of many, recycling in the United States is a phenomenon that began in the 1970's following the original Earth Day celebration. For others, awareness dates to the late 1980's following the infamous voyage of the "garbage barge" and the ensuing fears that landfill capacity had reached a crisis stage. It may interest the Committee to know that the scrap recycling industry actually dates back to the beginnings of our nation, when a statue of King George III was toppled in NYC and its metal was used to make bullets for the Continental Army. Our members are in the business of recycling, and have formed the basis of the established recycling infrastructure that exists in this country today.

Today, the processing of scrap commodities is an integral part of the U.S. economy and its domestic manufacturing industries. Scrap commodities are collected for beneficial reuse, conserving impressive amounts of energy and natural resources in the recycling process. For example, according to the Environmental Protection Agency recycled aluminum saves the nation 95 percent of the energy that would have been needed to make new aluminum from virgin ores. Recycled iron and steel result in energy savings of 74 percent; recycled copper, 85 percent; recycled paper, 64 percent; and recycled plastic, more than 80 percent. Collectively, ISRI members process over 130 million tons of recyclables each year, worth upwards of \$30 billion and contribute more than \$2 billion annually to the US balance of trade.

. ISRI's member companies are family owned businesses that have stood by, and with, the same towns and cities throughout America for the past century, creating the backbone of the recycling infrastructure you see in this country today. In fact, in two years my company will celebrate the one hundredth anniversary of its founding by my immigrant grandfather and his brother. ISRI members have provided stable, good-paying jobs in this country during the boom years, the lean years, and in war time. Understandably, we are known as America's "Original Recyclers" and proudly wear the badge of the Voice of the Recycling Industry.

ISRI members have been recycling electronics for decades as an integral part of their recycling operations. Indeed, early computers—mainframes as they were known, were highly sought after commodities in our industry. In 2002, recognizing the ever-growing number of obsolete personal computers and peripherals, and other electronics materials entering the recycling stream, ISRI formed an Electronics Council to address the issues unique to this segment of the scrap recycling industry's activities. Sensing an opportunity, as good businessmen and entrepreneurs generally do, many of our member companies are investing significant capital to expand their businesses to recycle more electronics. Yet, while they have acted on their 'recycling know-how' and sense of opportunity, they also know that before electronics recycling can stand on its own, a number of challenges familiar to the traditional scrap recycling industry need to be addressed

The challenges include, among other things, the need: to distinguish between scrap and waste, to develop end-use markets for the materials recovered from scrap electronics, to promote manufacturer design improvements to make electronics easier to recycle and to avoid the use of hazardous materials in the manufacture of electronics products, and to promote the benefits of environmental management systems, such as ISRI's Recycling Industry Operating Standard (RIOS) as the proper means to address environmental concerns. Consequently, ISRI's Board of Directors last month adopted a policy resolution outlining how best to address these challenges.

As businessmen who know how to recycle, our views are derived from years of practical experience. In order to assist this Committee's efforts to understand how best to ensure that electronics are recycled properly, and not disposed of in landfills or elsewhere, I would like to highlight some of the key issues within our policy.

We need to avoid creating unnecessary impediments to recycling. Thus, it is very important to distinguish the difference between scrap and waste. Electronics scrap, like scrap paper, glass, plastic, metal, textiles, and rubber, is not waste. Scrap is the opposite of waste. Processed scrap materials are commodities that have a value on domestic and international markets, whereas waste materials have no value and are typically buried in a landfill. Electronics recyclers make their living by providing de-manufacturing services, such as scrubbing and reselling hard drives, by reselling cell phones, monitors and CPUs that are in good working order, and by using machinery and equipment to shred or otherwise process electronics to extract the various commodities that are in electronics like steel, aluminum, gold, silver, titanium, copper, nickel, plastic and glass.

Defining obsolete electronics as waste undermines and overlooks the value that these electronics retain if properly recycled. Saddling them with the moniker of waste imposes a whole host of unwarranted regulatory burdens that will undermine the ability to make the system work. For these reasons, it is eminently important that we avoid confusing these valuable commodities with wastes.

Another key aspect underlying our policy is the concept of free and fair trade. We have been in the recycling business a long time and understand that scrap commodities are some of the best examples of basic supply and demand economics. These materials are traded in the global marketplace, supplying America's basic manufacturing industries with valuable raw material feed stocks that are used in place of virgin materials, and contributing significantly to the United States' balance of trade with other nations. Hence, our industry has generally opposed efforts to interfere with commodity markets and create artificial distortions. However, being the pragmatic businessmen that we are, we recognized that the electronics market has grown explosively in such a short period of time that, for the short term, it might take some sort of financial mechanism to ensure that the costs of recycling electronics – which sometimes have a 'negative intrinsic value' - do not deter recycling from taking place.

Allow me to explain. Right now, under current market conditions, if a citizen, a governmental entity, a commercial or retail establishment wants to do the right thing and recycle their electronics, recyclers must charge that citizen or other entity a fee in order to justify the costs of recycling certain obsolete electronics components, such as older computer monitors and TV's with cathode ray tubes (CRTs). That's because the costs of recycling these items are more than the value of the component materials that can be extracted from them. This is due in large part to the lack of markets for the recycled glass and plastics in these units. Creating a long term, sustainable recycling infrastructure for the recycling of electronics will require that the electronics are both economically and technologically feasible to recycle. As a result, ISRI decided to support a financial mechanism to cover the negative value of the material.

In looking at the issue, our Electronics Council determined that the best financial mechanism would be for manufacturer's to take some responsibility for the cost of recycling their products, by internalizing the cost of collecting, sorting, transporting and recycling of a defined set of electronics for two primary reasons. First, we recognized that producer responsibility provides a greater incentive to encourage manufacturers to adopt Design For Recycling©, a concept that ISRI has been advocating since the early 1980s. Second, we believe that internalization will be cheaper for the consumer/taxpayer. We did not come to this conclusion lightly. In fact, it was a gut wrenching decision as our industry has long argued that the markets should be allowed to operate freely.

Essentially, Design for Recycling calls upon manufacturers to design their products to be easily recycled at the end of their useful lives, without using hazardous or toxic constituents that can hinder the recycling of those products, and to be manufactured using recycled materials. Design for Recycling contemplates cooperative efforts between manufacturers, recyclers and the government, in research and development efforts, in defining and understanding the challenges faced at every stage of a product's life cycle, and in mutual efforts to develop better ideas. To date, voluntary calls by the recycling industry to motivate manufacturers to adopt a Design for Recycling philosophy have met with only a tepid response. We do recognize that electronics manufacturers have taken some steps towards designing for recycling; however, there is room for improvement. It is important to understand that greater Design for Recycling can increase recycling productivity that will only ensure a stronger more sustainable infrastructure.

We believe, as successful businessmen, that if given the flexibility and opportunity to internalize the costs, that manufactures can create a model that will be less bureaucratic and burdensome and cheaper for the tax payer. However, certain manufacturers insist that a consumer tax in the form of an Advance Recycling Fee (ARF), implemented, governed and administered by state governments, will be cheaper than manufacturers internalizing the costs. We disagree with this logic. We are aware that there is a fierce and sometimes spirited debate occurring among and between manufacturers and retailers about this issue. This is as it should be. Ultimately, being neither an electronics manufacturer nor a retailer, ISRI's Electronics Council felt it necessary to take an objective look at this issue, as the outcome of the debate will ultimately affect the electronics recyclers.

We acknowledge that some manufacturers have had an unkind, if not visceral, reaction to our position on this issue. They have even questioned our right to have an opinion on the matter of cost internalization versus ARFs. However, while we would not fall on our sword whichever way the Congress or state legislatures decides the cost internalization versus ARF matter, we have specific reasons for holding our preference.

While ISRI will ultimately defer to the wisdom of the Congress or the states to decide which financial mechanism is most apt to spur electronic markets, we strongly encourage the Congress and the states to end any financial mechanism as soon as markets for recyclable electronics become economically viable. We are not an industry that looks lightly on government subsidy, and we believe markets must ultimately stand on their own based on solid business principles. That said, whatever financial mechanism the Congress and the states might decide to put forward in order to sustain this market, ISRI suggests that a portion should be applied to the research and development of end use markets for the materials recovered from electronics products.

Two of the greatest challenges of electronics recycling are the difficulties of sorting the different resins of plastic and recycling chemically coated glass. Targeting funds to further technology in these two fields would have a tremendous impact on making end-use consumer markets more economically viable, which would, over time, ensure these markets could stand on their own without subsidy. In fact, we believe it would be wholly appropriate for the Congress to support research efforts aimed toward the development of technologies for utilizing these materials in the manufacturing process.

Mr. Chairman, I briefly alluded to RIOS early in my remarks. RIOS is an integrated environmental, health and safety, and quality management system standard that ISRI has developed over the past 18 months. Few industries worldwide have endeavored to undertake such a huge step, but the recycling industry in the United States has always been, and intends to remain, the global leader in recycling technology, environmental protection, worker safety and the production of high quality materials. RIOS is a tool for us to accomplish those goals and will help assure that ISRI members who recycle scrap electronics will do so in a manner that is best for our country, and the world in which we live.

In closing, I want to remind the Committee what this is all about, and that is recycling. At the end of the day when you have done your jobs and the money issue is sorted out, and folks start pulling electronics from closets and basements, it will be the electronics recyclers that end up with electronics on their doorsteps, and that is exactly what we want. What we do not want is an over-regulated system that makes it impossible to do our job. Our job is to make sure electronics are properly recycled in order to protect America's environment and support our global economy. I want to thank you Mr. Chairman and Members of the Committee for addressing this timely issue and welcome any questions you may have.