ISRI
Voice of the Recycling Industry

Institute of Scrap Recycling Industries, Inc.
www.isri.org

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Jacob J. Lew
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Rhett Jeppson
Principal Deputy Director
United States Mint
801 9th Street NW
Washington DC 20220

Dear Secretary Lew and Director Jeppson,

The Institute of Scrap Recycling Industries, Inc. (ISRI) respectfully requests that the United States Department of the Treasury ("Treasury") and its U.S. Mint Bureau (the "Mint") reconsider the Mint's current moratorium on the repurchase of mutilated coins, put in place on November 2, 2015 and extended on April 29, 2016 until November 2, 2016. The moratorium is having a significant detrimental impact on U.S. based recyclers who, suffering from low prices and very slim margins for several years, are now facing additional financial difficulty because of their inability to redeem the mutilated coins they have in inventory. We would appreciate the opportunity to meet with the appropriate representatives of the Mint and the Treasury to discuss this matter in further detail and determine how best to resolve this situation.

Background on the U.S. Based Recycling Industry

ISRI is the trade association representing the private, for-profit recycling industry, composed of approximately 1,400 companies at more than 5,000 facilities located here in the U.S. and in more than 35 countries that process, broker, and industrially consume scrap commodities, including metals, paper, plastics, glass, rubber, electronics, and textiles. Our members range from small, family-owned businesses to large, multi-billion dollar, multinational companies.

Recyclers are the first link in the manufacturing supply chain, supplying 40% of manufacturing's global raw material needs. Last year alone, the industry recycled more than 135 million tons of scrap, worth more than $80 billion, into specification grade commodities for productive economic use as feedstock materials by steel mills, foundries, paper mills, smelters, reformulators and other consumers in the United States and throughout the world. To accomplish this task, the industry employs 149,000 men and women, continuing its tradition of creating good paying, "green jobs."

Recycling and the Mint's Mutilated Coin Redemption Program

Recyclers across the United States have been recovering coins for decades. The business started when recyclers would find loose coins that had fallen to the ground during the processing for recycling of cars, vending machines and other products. The business evolved with advances in sorting technology and the advent of new machinery capable of identifying very small items. As a result, the ability to purposefully recover coins in significant quantities grew quickly, and became an integral part of many recycling companies' operations and product lines.

Shredding is the predominant method for recycling heavy steel-bearing end of life products into commodity grade products, including automobiles, appliances, coin operated laundry machines, and vending machines. In a typical shredding operation, a mixture of automobiles, appliances, and other such steel-bearing products are fed into a hammer mill, where they are shredded into approximately fist-sized pieces of steel. The steel, or ferrous metal, is separated using a series of magnets. Next, the stream is separated by size, and processed to recover the nonferrous metals (e.g., aluminum, stainless steel and copper) from the non-metallic materials (plastics, foams, rubber, etc).

During the lifetime of an automobile (estimated at between 10 and 12 years in the U.S.), most drivers manage to lose a fair number of coins to the cracks in seats and the areas under seats. Many people also forget to remove the coins they store in their car for use in parking meters and the like before their car is sold. Similarly, it is surprising how many companies operating vending machines and coin operated laundry equipment fail to remove remaining coins before sending the machines for recycling. As a result of all of these practices, a large number of coins end up in the shredding stream. As the coins travel through the shredder, they become bent and twisted and ultimately end up in the nonferrous mixed metal stream (known as "zorba")[1] leaving the shredder.

Beginning roughly around 2003, the vast majority of Zorba generated in the US began to move to China due of the high demand for aluminum within that country. In addition, the extraordinarily low cost of labor in China allowed Chinese companies to hand separate the various metals contained in Zorba at a rate lower than the cost of mechanical sorting in the U.S. Hand picking of the material resulted in a far greater quantity of coins being recovered than ever before, hence the sudden increase in the amount of US coins being redeemed at the Mint by foreign companies. Competition by Chinese companies to purchase US manufactured Zorba was exceedingly fierce and the Chinese processors began to calculate the value of the recovered mutilated coins into the price they would pay for the Zorba. The resultant price increase forced US based companies to do the same and today it is common practice to calculate the value of recovered coinage into the price paid for Zorba.

Following the global economic crisis in 2008, and the concomitant leaps forward in technology for sorting metals as well as the increases in Chinese labor costs, Zorba processing began to move back to the US and large amounts of coins began to be recovered by domestic US companies engaged in recycling. That is why today, there are a significant number of recycling companies here in the US that are recycling Zorba and the amount of coins redeemed by US recyclers has increased so significantly.

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[1] Zorba is a specification grade commodity, which is a combination of aluminum, copper, lead, magnesium, stainless steel, nickel, tin, and zinc.

Summary

As stated by former U.S. Mint director Edmund C. Moy in a recent article in the *American Metal Market*, "The U.S. Mint has an obligation to redeem damaged coins…there needs to be a mechanism to recycle coins."[2] While ISRI fully supports enforcement activities against those companies that abuse the redemption program through the attempted sale of counterfeit coins, we do not see the need for a blanket moratorium that effectively punishes all those who legitimately rely on the program for their ongoing businesses.

We hope that the above-description of our industry and the issue of mutilated coins has provided you with sufficient insight to lift the moratorium on the Mint's buy back of mutilated coins for all parties who are not at issue regarding any civil or criminal filings. We request a meeting with the appropriate representatives of the Treasury/Mint to discuss this matter further and provide any additional information or insight that you or your staff may need.

Sincerely yours,

Robin K. Wiener
President, ISRI

[2] *American Metal Market*, May 30, 2016 p.1 (Metal Bulletin Holdings). AMM went on to note that, "Moy said without hesitation that 'it's not feasible to counterfeit most coins ... it's a high-volume, low-margin business. When you look worldwide, most efforts focus on high-denominated coins. Counterfeiting coins is a more costly and complicated process than counterfeiting paper money.'"