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DEPARTMENT OF THE TREASURY

United States Mint

Exchange of Coin

82 FR 43730

Docket: USMint-2017-0001

COMMENTS OF THE INSTITUTE OF SCRAP RECYCLING INDUSTRIES, INC.

The Institute of Scrap Recycling Industries, Inc. (ISRI) respectfully submit our comments and suggestions in response to the United States Mint's September 19, 2017 notice and request for comments regarding proposed revisions related to the exchange of uncurrent, bent, partial, fused, and mixed coins, updates to the redemption rates and procedures, and acceptance and processing of bent and partial United States coins. (82 FR 43730).

We appreciate this opportunity and welcome the Mint's need to update and improve the redemption procedures in order to enhance the integrity of the acceptance and processing of bent and partial United States coins. We also appreciate the opportunities provided to discuss these changes with the U.S. Mint staff and offer any appropriate assistance to quickly and orderly resume this important program. While the Mint is proposing several changes, our comments primarily focus on the acceptance and processing portions for bent and partial coins.

Background on the U.S. Based Recycling Industry

ISRI is the trade association representing the private, for-profit recycling industry, composed of approximately 1,300 companies at more than 4,000 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 130 million tons of scrap, worth more than \$117 billion annually in U.S. economic activity, 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 directly and indirectly support more than 534,00 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. This practice began when recyclers would find loose coins that had fallen to the ground during the recycling process of cars,



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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, product mix, and bottom 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 the coins travel through an auto shredder, they become bent and twisted and ultimately end up in the nonferrous mixed metal stream (known as "Zorba") leaving the shredder.¹

Beginning roughly around 2003, the vast majority of Zorba generated in the US began to move to China due to 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 U.S. coins being redeemed at the Mint by foreign companies.

Examination of Bent or Partial Coins for Redemption – We agree with the Mint's definition that bent or partial coins are ones that cannot be counted using a normal machine counting process. These coins should also be readily and clearly identifiable as to genuineness and denomination as explained earlier. Even after the shredding process, these coins retain their identifiable markings demonstrating their genuineness and denomination. Accordingly, we agree that certification, site inspections, as well as possible criminal or civil liabilities, if warranted, are appropriate tools the Mint could use to ensure the integrity of United States coinage.

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



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Certification – ISRI supports the concept of a certification process when necessary and appropriate. In fact, ISRI promotes international certification schemes to help improve recycling operations, including management systems, environmental, health and safety standards.²

While we support certification generally, the Mint should not require certification before a participant may submit bent or partial coins to the Mint for inspection and redemption.³ ISRI suggests that a “registered supplier” program could be established for all participants regardless of volume or frequency. Such a program would require anyone who wants to redeem the value of mutilated coins to first register with the U.S. Mint providing basic information such as their physical business address and contact information and agree to allow site inspections by the U.S. Mint.

In those cases where the Mint has substantial concerns or suspicions about a particular participant, the Mint could impose a requirement that those registered suppliers acquire a temporary surety bond in order to redeem their damaged coins. In those cases where the Mint has substantiated concerns, a surety bond, in an amount not to exceed the value of the redemption, could be required for a specific supplier(s) whether domestic or foreign. Of course, the Mint would reserve the right to deny any individual redemption and remove any registered supplier if such concerns proved to be true. We feel this program of financial safeguards, along with the new criminal and civil referrals provision, would provide the Mint with the necessary and effective enforcement tools.

Inspections – ISRI supports facility site inspections for anyone participating in this program regardless of the volume of coins submitted or frequency of those submissions. However, we disagree that site inspections as part of a certification process should be necessary or contingent before accepting submissions of bent or partial coinage. On the other hand, we strongly support site visits when the Mint suspects a criminal activity, a submission contains a material misrepresentation of facts, the submission demonstrates a pattern of intentional mutilation or an attempt to defraud the United States, or the material presented is not identifiable as United States coins. Additionally, we recommend supplementary site inspections and routine discussions between the Mint and recyclers so both parties can exchange information to continually improve the mutilated coin submission and redemption process.

Chain of Custody – Scrap processors recover coins from various products such as used cars, coin operated appliances such as washers and dryers, and vending machines (as described above). Since all

² ISRI developed the international Recycling Industry Operating Standard (RIOS) that is certified by the American National Accreditation Board (ANAB) to help improve recycling operations. RIOS consists of management system, occupational health, environmental and worker safety standards. Many ISRI members are certified to RIOS or ISO 9001, 14001, 18000 and 22000 series standards.

³ The Mint has not disclosed whether or not they have already developed a certification system nor have they described the requirements and duration for certification.



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these products have been transferred (sold or donated) to the scrap recycler for recycling, these products consequently become the property of the scrap recycler. When these products are processed through the shredding and downstream sorting and separation processes, bent and partial coins are subsequently recovered. Therefore, the scrap recycler submitting the coins for redemption should be considered the 'point of origin' for the purposes of the Mint's chain of custody documentation requirements.

Contamination – We support the provision to deny redemption to a submission because of contamination that renders the metal unsuitable for coinage material. ISRI develops and maintains scrap material specifications through its commodity divisions. These specifications are widely used and cited in United States regulations, state laws and other country's laws as the basis for what constitutes a specific specification of a specific scrap commodity. Accordingly, the ISRI specifications do take into account contamination. ISRI would be interested in assisting the Mint in developing a global industry-wide specification for contamination tolerances for mutilated coin submissions.

Annual Limitations – There should not be any annual limitations. Scrap processors have little control over how much scrap and thus how many coins they recover in any given period. This lack of consistency is because scrap processors get varying amounts and volumes of used automobiles and vending machines from which they recover coins. For instance, when economic conditions are not favorable, drivers normally own their vehicles for longer periods resulting in less cars being delivered for scrap. As a result, there would be less recovered coinage during some years and more in others.

There are also regional differences such as weather and economic conditions that make an annual limit impracticable. In some areas of the country, chemical treatments for ice and snow factor into shorter vehicle lifespans while in dry arid areas, cars may be operated for substantially longer periods of time. And, following major weather events such as hurricanes, tornadoes, or ice and snow storms, there is normally an influx of cars, both new and old, having varying amounts of coinage that are deemed "totaled" by the insurance industry and arrive in scrap yards over the next few months and many times, overlapping the calendar year. To complicate matters, some years there is an increase in the amount of storms and damage while other years are more tranquil. As a result of these economic, regional or weather related events, it is not possible to accurately predict the amount of coinage that will be recovered and thus redeemed in any given year making an annual limitation impracticable, arbitrary, and unnecessary.

Law Enforcement Referral – ISRI and its members support the Mint's desired authority to provide information pertaining to any suspicious bent or partial coin submissions to law enforcement officials for purposes of investigating related criminal activity or seeking a civil judgement. We believe the Mint should have this authority to prevent unlawful behavior and ensure the integrity of United States coinage. We expect the addition of this provision will make all participants aware that attempting to defraud or the failure to comply with the Mint's rules could lead to civil or criminal liability.



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Furthermore, we hope this authority will enable the Mint to avoid unnecessarily suspending this important program again because of suspicions of criminal activity.

Conclusion

ISRI thanks the Mint for its request for public comments and its intention to resume the Mutilated Coin Redemption Program as soon as possible. The scrap recycling industry is proud to participate in this very important program and we share the common goals of recovering and recycling these bent and partial coins while protecting the integrity of United States coinage. Accordingly, we suggest a dialogue so the Mint can better understand the improvements and the limitations in the sorting and separation technologies being deployed at scrap recycling facilities. Such a dialogue should also lead to improvements in how the scrap recycling industry presents these damaged coins to the Mint.

Please feel free to contact Billy Johnson (billyjohnson@isri.org or 202-662-8548) with any questions or if he may be of any further assistance.

Respectfully submitted on November 3, 2017

Robin Wiener
President