



## **Unpermitted Tire Facilities Threatens U.S. Tire Recycling Industry**

### **Overview**

Tire recycling is a clear example of the critical success and positive impact recycling can have on the nation's economy and environment. For the past thirty years, tire recyclers have remediated tire piles in every state across the country. To date, approximately one billion tires have been recycled many of which were at one time stored illegally. The tire recycling industry now plays an integral role in sustaining manufacturing in the United States by providing specification grade commodities to be used as raw material inputs.

Across the country, states have regulated the tire recycling industry to prevent any further illegal accumulation or dumping of scrap tires. Scrap tire processors and haulers (transporters) are often required to secure permits, obtain operating licenses and be registered with the state. When properly enforced, these requirements ensure a responsible yet competitive tire recycling marketplace. However, a recent trend indicates that a growing number of facilities are now operating outside of the regulatory system.

Over the past several years, these unregulated facilities have created an un-level playing field, leaving compliant companies at a competitive disadvantage within a distorted market.

***Today, the most critical challenge facing the industry is ensuring that any and all tire recycling companies in the United States are permitted, licensed or registered at the state level.***

### **Lack of Enforcement Allows Unpermitted Facilities to Flourish**

Inconsistent enforcement (or lack thereof) at the state level allows unlicensed haulers, balers and illegal processors to operate outside of the regulatory system altogether. Most states lack funding needed to provide oversight of the state program. And, even when caught, many states lack criminal penalties for prosecution of illegal tire companies that have run afoul of the laws or regulations.

Perhaps most importantly, states often create unintended loopholes in regulatory requirements for certain parties in the marketplace. In some states, a tire baling facility may be permitted not as a processing facility, but as a collection facility, which has far less stringent regulatory oversight. Thus state laws provide little or no oversight of unpermitted operations that limit their operations to baling tires for export.

### **Unpermitted Facilities Distort the Market**

The cost of regulatory compliance is very significant in most states. Unpermitted companies, that do not comply with the laws or regulations, are slashing tire collection charges by as much as two-thirds or more to obtain tires, thereby decreasing tire supplies for compliant companies. A decrease in used tire supply for compliant companies increases cost for their end-product, resulting in end-users often selecting a less expensive alternative, such as virgin materials or other substitutes.

As a result, the entire U.S. tire processing capacity is in jeopardy as compliant companies are forced to reduce their operations in order to compete with distorted market prices caused by underbidding from unregulated companies. The inability for legitimate, permitted facilities to obtain feedstock can cause shortages and place significant pressure on their operations.

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### **Growing Trend: Unpermitted Facilities “Bale and Export” to Bypass Regulations**

The unpermitted facilities that rely on tire baling for export have low start-up costs, requiring relatively low investments in facility, equipment, personnel, and other operating costs (such as environmental controls and safety apparatus for employees) as compared to permitted tire processors that have invested in domestic processing capacity.

State agencies cannot oversee tire collection and transport when a facility is not properly licensed or permitted. Permitted facilities are often required to report their end-use market destinations for their processed tire materials. Thus, unpermitted facilities are bypassing reporting requirements, intended to assure that collected materials are sent to legitimate end-use markets, by exporting baled tires to countries outside of the United States.

### **Unpermitted Facilities Increase the Risk of Abandoned Tire Piles**

Tires procured by unpermitted facilities are at higher risk to create illegal tire piles that states will have to remediate at a significant cost. An unpermitted facility may store tires well in excess of legal limits. Their ability to start and stop their operations to take advantage of the highpoints of the business cycle stems from their lower investment costs.

Should business conditions turn unfavorable for the export of these tires, the unpermitted facility may simply “walk away” from the site and leave an unpermitted tire pile, leaving the state to remediate such tire piles at a significant cost.

### **Conclusion**

The U.S. tire recycling industry has undergone a significant transformation over the past several decades. The massive tire piles that once dotted the landscape are now gone, and the markets for recycled tires continues to improve. For the vast majority of scrap tire recyclers, complying with the law is never in question. These companies know that securing the necessary operating permits and licenses ensures a responsible yet competitive marketplace. Unfortunately, the growing trend of unpermitted facilities operating outside of the regulatory system now threatens the health of the entire market. ISRI shares the concerns of its tire members and stands committed to ensure that any and all tire recycling facilities in the United States are not allowed to operate outside of the regulatory system.