

**STATEMENT OF
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ON H.B. 7067 (Raised)**

**BEFORE THE
CONNECTICUT GENERAL ASSEMBLY
JOINT ENVIRONMENT COMMITTEE
FEBRUARY 22, 2017
HARTFORD, CONNECTICUT**

Members of the Committee, I respectfully submit this testimony on behalf of the Institute of Scrap Recycling Industries (ISRI) New England Chapter and its membership in the state of Connecticut.

I am the Commercial Liaison for ELG Utica Alloys which is located in the heart of Hartford, Connecticut. My company employs more than 100 people in a state-of-the-art recycling facility which handles materials sourced from fields such as the aerospace, medical and industrial manufacturing sectors.

ISRI is the trade association that represents more than 1,300 for-profit companies that process, broker and industrially consume recyclable commodities including metals, paper, plastics, glass, textiles, rubber and electronics. There are more than 33 ISRI member company facilities in the state of Connecticut.

Statement Summary

Thank you for the opportunity to submit testimony in opposition of Raised House Bill (R.H.B.) 7067, an act concerning product stewardship. The recycling industry appreciates the hard work that the Connecticut Department of Energy and Environmental Protection (DEEP) staff has put into implementing and overseeing the state's existing product stewardship programs. We understand that product stewardship programs may be necessary for difficult products and goods that lack end markets. However, stewardship programs make little sense for used and end-of-life materials that are resold and processed into commodity grade feedstock that supplies a strong reuse and recycling market across the country. ISRI is concerned that R.H.B. 7067 leaves open the possibility that government could move towards product stewardship programs for recyclable materials that have a positive value and existing market already in place.

ISRI supports policy that promotes a competitive market-based system that assures the free and fair trade of recyclable commodities. For recyclers, the concept of a program that provides incentives to manufacturers to design their products with the products' end-of-life in mind is compelling and supports ISRI's longstanding Design for Recycling® policy. However, ISRI opposes mandates that hold producers financially responsible to collect and recycle certain products that are being sold into viable commercial markets without subsidies or noncompetitive fixed prices.

The Recycling Industry

Over the past several decades, use of recyclable commodities in the manufacturing process has experienced phenomenal growth. As a matter of fact, each year more than 800 million tons of recycled metal, paper, plastic, rubber, electronics, and other recyclable commodities are consumed globally, of which 130 million are sourced and processed in the United States.

In the state of Connecticut, the recycling industry directly employs approximately 1,400 people earning wages of more than \$122.5 million. Collectively, the industry contributes more than \$33.3 million in state and local taxes supporting the economic viability of our communities.

Recycling is Not Disposal

The private sector recycling industry is the first link in the manufacturing supply chain. For-profit recycling yards have certain operations that distinguish them from public-sector solid waste municipal recycling centers that rely upon public funds to operate. For instance, the recycling industry purchases commodity materials based on weight and quality for purposes of manufacturing them into commodity products for resale. Inbound materials are priced differently based on the trade markets (related to the stock market), and current prices can and often do change several times a day depending on the market conditions.

Recyclable material prices are subject to many of the same market forces as primary commodities such as oil and agriculture. Prices are based on a marketplace made up of consumers who use these recycled materials in manufacturing. The materials are purchased from thousands of sources each day to keep up with expected consumer demand. After acquiring and processing recyclable commodities into specification grade material, recyclers deliver the material based on current market conditions dictated by the customer.

Recyclable Commodities are Not Waste

What is important to remember is that, unlike waste, recyclables are commodities processed into tradable and highly valued specification-grade products that manufacturers use as raw material inputs to make new products. Because new products are continually entering the marketplace, recyclers need to be extremely innovative in order to keep up with commodity and end-use market developments. The pioneering entrepreneurship of the recycling industry is responsible for the technological developments in equipment and manufacturing processes, which now enable citizens to return what was once destined for a landfill back into the supply chain.

Materials that the recycling industry refers to as “obsolete” recyclables are often confused with solid waste. These recyclable materials come from a wide range of used products including consumer goods, packaging materials like corrugated paper, boxboard and plastic, end-of-life vehicles, old newspapers and magazines, used appliances, used beverage containers, and much more. It is within this category that various products are frequently identified as being “waste” in need of a product stewardship program when, in fact, such programs would serve as artificial market barriers that impede the supply chain and make recycling more expensive.

R.H.B. 7067: Missing Necessary Controls to Protect Market Supply and Demand

Products that may benefit from a product stewardship program are the exception to the rule. ISRI agrees that there are some products with little or no recyclable markets that simply will not find their way to another life through recycling. Lead-based paint and used pharmaceuticals are good examples. However, stewardship programs are not the best solution for most products because they impose government mandates that force manufacturers to “take back” or otherwise control the flow of their products, thereby potentially limiting competitive markets that ultimately keep prices down.

Market Analysis Needed

ISRI believes R.H.B. 7067 is drafted in such a way that ignores the strength, capabilities, and vibrancy of the existing recycling industry. Under the proposed framework, when a product is identified for inclusion in a product stewardship program, the manufacturer of that product is put in charge of developing how the product will be recycled, including selecting and limiting recyclers who may otherwise have competed in the marketplace for those materials. In the industry, we call this “flow control” which is a concept fraught with market and constitutional complications and concerns.

An open-ended framework proposal like that outlined in R.H.B. 7067 lacks the necessary requirement that DEEP conduct a full market analysis prior to identifying a new product for a stewardship plan. A competitive bidding process that is not tied to other mandatory requirements is essential to ensure the economic efficiency of recycling programs. Unfortunately, the current proposal before this committee makes no reference to market evaluation or a directive from the legislature that DEEP be required to provide guarantees to this legislative body that its product stewardship programs would not move into viable markets.

The Recycling Industry is the Market Expert

It is illogical to pursue discussions on product stewardship programs without first consulting the recycling industry which is the primary authority on existing recyclable markets. With all due respect to those organizations advocating on behalf of product stewardship, the business of recycling is best understood by those entrepreneurs who have made recycling possible through their own hard work and ingenuity. To ISRI’s knowledge, the current proposal before this committee was not shared with the recycling industry or those businesses within the state of Connecticut who are the most qualified to advise on the viability of certain recyclable markets.

It is only through the legislative process, which brought us here today that the concerns of the recycling industry are being heard and considered. For instance, R.H.B. 7067 is completely devoid of any guarantee that *prior* to identifying new products, DEEP will seek advice and consent by the recyclers who are likely the only means by which producers would be able meet their stewardship requirements. ISRI asserts that this is a fatal flaw in the framework proposal that will ultimately cause undue harm to Connecticut’s recycling industry and the environment.

Constitutional Limits

Introducing product stewardship into existing marketplaces poses other concerns equal in magnitude to those these plans attempt to address. Often overlooked are apprehensions about redistribution of market share, unconstitutional flow control issues and the implications of government enabling or picking winners and losers. For instance, the product stewardship concept effectively imposes “cradle to grave” liability on manufacturers, which arguably impedes on the property rights of those owners of recyclable materials who are constitutionally guaranteed the right to be free to accept, purchase, transport, and process their property in a competitive marketplace.

A Design for Recycling® Alternative

ISRI respectfully requests this body turn its attention to encouraging Design for Recycling® principles among manufacturers, which is a more effective and less intrusive way to address the concerns outlined by proponents of R.H.B. 7067. A concept envisioned and promoted for more than 25 years, the ISRI Design for Recycling® initiative encourages manufacturers to think about the ultimate destiny of their products during the design-stage of a product’s development.

These principles include:

- 1. Making Consumer Products Recyclable**
Manufacturers should ensure that consumer products can be safely and economically recycled, using existing recycling technology and methods when removed from service. Recyclers of consumer products should not have to incur unnecessary costs due to the use of hazardous constituents in the products.
- 2. Reducing Environmental Risks from Consumer Products**
All newly manufactured durable consumer products should have demonstrated recyclability. In most cases, if a product is found to present environmental risks that make it uneconomical to recycle the product, it should not be sold without design or manufacturing changes that will remove those risks.
- 3. Controlling Special Environmental Problems**
Some products may not be capable of being redesigned so as to eliminate risk to the recycler. In these cases, there should be new cooperative arrangements between manufacturers and recyclers to ensure recycling, and recyclers should be relieved of the resulting risks of environmental liability.
- 4. Assistance to Manufacturers of Consumer Durables**
Manufacturers should not be asked to bear all the costs of Design for Recycling®, any more than recyclers should be required to continue to bear all the environmental risks of recycling in that absence of appropriate product design.

Conclusion

It is unnecessary and ultimately more expensive to undermine the existing recycling infrastructure in Connecticut simply to make it easier for a regulatory agency to initiate new product stewardship programs in the future. In this context, ISRI supports policy that -

- Supports a competitive marketplace that does not restrict, direct or interfere with the free flow of recyclable materials.
- Opposes government imposed fees and mandates that hold producers financially responsible to collect and recycle certain products, such as metals, packaging materials like corrugated and boxboard, plastics, and paper that are being manufactured into commodity grade materials and sold into viable, commercial markets without subsidies or noncompetitive, fixed pricing.
- Allows in certain instances to hold producers financially responsible for costs associated with responsibly recycling certain products that have limited or no end-life markets, but supports ending producer responsibility and government imposed fees as soon as practicable.
- Is consistent with ISRI's Design for Recycling® Policy requiring manufacturers to consider, during the design and manufacture stage, the need to ensure that their products can be safely and economically recycled to the maximum extent practicable.
- Gives the existing recycling infrastructure an equal opportunity to participate in programs that impose fees on recyclables or that hold producers financially responsible.

Recyclers within the ISRI New England Chapter would be pleased to work with this this body to ensure the continued viability and success of the recycling industry in Connecticut while pursuing the objectives outlined by DEEP in its proposal. We would be happy to share the industry's vast information network which includes resources on recyclable commodities, news on the latest technological advancements in recycling equipment and processes, safety and environmental tools, and much more. All of these resources as well as economic reports and the market dynamics of our industry are available to you to assist with the development of reasonable oversight structures.

Thank you again for this opportunity to present testimony before this distinguished committee. ISRI looks forward to working with you on this issue.



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