

Rubber recycling firms discuss market strategies

By Miles Moore

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WASHINGTON—The definition of a successful scrap tire recycler varies based on one's location and expectations, according to experts in the scrap rubber recycling and processing field.

But one thing is certain: a scrap tire recycler must pay attention to his markets, just as any other businessman or manufacturer must.

Successful rubber recycling companies are intensely market-driven, which is a far cry from the industry's beginnings, according to Jeffrey Kendall, CEO of Pittsburgh-based tire recycling giant Liberty Tire Recycling L.L.C.

"Only 20 years ago, a lot of people thought they could get a shredder, and things would work out," Kendall said.

"From a business standpoint, they didn't know how many tires they would take in, and they were sold a bill of goods about how easy their equipment would be to maintain. A customer might promise to buy their tire chips, but then that customer might go out of business or say the chips didn't meet his specs."

There may still be a few starry-eyed processors that start out that way, but they don't last long, Kendall and others said. Those companies that stay in business know their customers and their markets, and also know how both change over time, they said.

Planning for success

There's no such thing as a hard-and-fast business plan for a successful tire recycler, according to Arthur Dodge III, president and CEO of Lancaster, Pa.-based ECOPE International, a manufacturer of flooring, playground surfacing and other products from recycled rubber.

"I don't think there's an absolute right or wrong," Dodge said. "You have some companies that concentrate on a single product, and some that are diversified."

Dodge said diversification strategies work for ECOPE. "But they can be risky, because you can be a jack of all trades and a master of none."

Rubber recycling is clearly a market-driven business, according to Dodge.

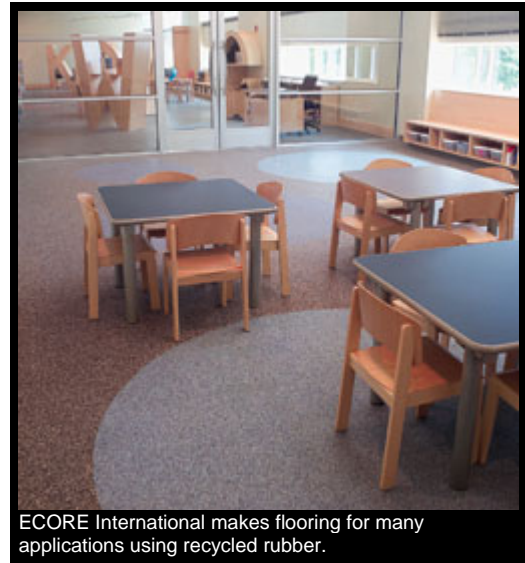
"You need to know your market and present your customers with something that exceeds their expectations," he said.

ECOPE prides itself on making recycled rubber flooring that is the best in its class, and its new laminated product line, in which it mixes recycled rubber with other materials, is gaining a strong foothold in the market, Dodge said.

RB Rubber Group, a subsidiary of St. Louis-based conglomerate Dash Multi-Corp, also has highly diversified operations serving a range of markets, according to Harold Stuhl, the firm's chief operating officer.

"Each market is different, and we have a sales manager focused on each of them," Stuhl said.

"If there's a market, you have to go out and find it. We advertise a lot, but it takes a lot of effort to find customers. We as a company are very driven to seek out business. The economy has been so bad the past couple of years, no one can just wait for business to come to them."



ECOPE International makes flooring for many applications using recycled rubber.

Fortunately, recycled products are more recession-proof than other goods, according to Stuhl.

"Right now anything that's recycled is appealing in the marketplace, even in the bad economic period we're in," he said.

Along with strong sales and marketing, a recycled rubber products company has to have strong operations, according to Kendall.

"The strong have survived," he said. "Successful companies pick up their own tires, so they know how many they're getting. Each year we pick up a minimum of 3 million (passenger tire equivalents), more often closer to 5 million, so we can afford redundancy of equipment and we have expertise in maintaining equipment."

Michael Blumenthal, vice president of the Rubber Manufacturers Association, noted one key factor that has helped the recycled rubber market immeasurably: the steadily improving quality of crumb rubber.

"It's not 100 percent across the board, but more of it is top quality more often than in the past," he said.

The specifications for crumb rubber created by ASTM International, Blumenthal said, provided a baseline definition for quality crumb rubber that suppliers and customers can put into contracts.

Of course, he said, every customer has its own specifications, but the ASTM specs fostered confidence in the product.

"At the time they were written, the ASTM specifications were very necessary," he said.

Regional, state, regulatory issues

Because Liberty Tire operates nationwide, it is very conscious of regional variations in recycled rubber product demand, according to Kendall.

"In the Southeast, we have large, successful customers who make mats and need a lot of crumb rubber," he said. "In the Midwest, there is very little crumb demand by comparison. Similarly, (tire-derived fuel) is also very big in the Southeast, but not quite as strong in Minnesota."

Liberty Tire has a crumb rubber plant in Iowa that supplies athletic field infill and running track surfaces throughout the far Midwest, Kendall said. But Ohio gets its crumb rubber needs supplied from the Liberty Tire plant in Pittsburgh, he said.

RB Rubber has plants in Milan, Ga., and McMinnville, Ore., which supply its customers on a nationwide basis, Stuhl said.

The company also has a facility in Portland, Ore., that when it goes onstream in a couple of months will be one of the most advanced crumb rubber plants in the world, he said.

"The only thing I would cite about regional production is that freight is a meaningful expense, whatever product you're making," according to Stuhl.

"Having more than one plant can help."

State scrap tire laws generally have succeeded in stockpile abatement and encouraging market development, according to the experts.

"State laws have had a very beneficial impact by providing a framework for proper disposal," Kendall said. "Barring tires from landfills and focusing on proper disposal provided market mandates for services such as ours."

The biggest mistake some states have made, according to Kendall, is investing in processing instead of products. "Encouraging a guy to buy a shredder tends to bring out the people who failed 20 years ago," he said.

Although state laws encouraging scrap tire abatement and recycling are universally popular among processors and recyclers, state environmental, insurance and business regulations are another matter.

Norman Emanuel, a pioneer in scrap tire recycling whose Baltimore, Md.-based Emanuel Tire Co. has been in business 53 years, said the burden of state regulations is increasingly troublesome, particularly in the face of lower tipping fees, declining profit margins and increasing competition.

"It's been a nightmare for us," Emanuel said. He praised Allan Lassiter, head of the waste tire program within the Virginia Department of Environmental Quality, and a few others for trying to work with tire processors to make regulations both fair and comprehensible.

"The rest don't care," he said.

Kendall, however, said Liberty Tire doesn't find its regulatory burden onerous.

"In almost all areas throughout the U.S., our regulatory burden is very modest," he said. "We think it's critical that states provide some form of regulation for the disposal of tires."

Federal regulation, meanwhile, is worrying some advocates of tire-derived fuel.

On April 29, the U.S. Environmental Protection Agency issued three massive proposed rules designed to reduce emissions from industrial, commercial and institutional boilers and solid waste incinerators.

Among other things, the proposals would redefine some nonhazardous materials as waste, potentially including TDF. This change would require that any units burning these materials be reclassified as solid waste incinerators, meaning that the regulatory controls on these units—and the cost of operating them—would increase substantially.

"The EPA proposal is the major concern, the defining issue in our industry," Blumenthal said. "If the final rule says TDF must be wire-free, it kills the TDF marketplace.

"TDF is the base market that supports all the other markets," he said. "It is the bulwark of the industry."

Kendall, however, said he wasn't overly concerned about the issue because the EPA openly supports the use of tire chips as fuel.

"Tires burn better and cleaner than coal," he said.