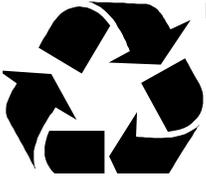


## Consulting Experts for the Asset Recovery, Transportation Industries



### 21<sup>st</sup> CENTURY RECYCLING THRU: *Reutilization*

*This is a reprint of an article prepared for NAPM in 1991, with minor changes.*

**Reutilization** is the politically correct term nowadays for excess or surplus inventory, stale and obsolete inventory as well as all waste and scrap materials. Market **Reutilization** refers to the methods used to insure these items are actually reutilized rather than dumped in to a landfill at great expense to both the company and the environment.

**Reutilization** offers industry an enormous opportunity. The cost to industry (and government), of devising, enforcing and complying with environmental regulations have become burdensome both nationally and on a company-by-company basis. **Reutilization** offers more environmental protection per dollar spent instead of less and less - as seems to be the trend now. To paraphrase Ben Franklin, a pound of cure costs a lot more than an ounce of prevention.

By having a good **Reutilization** plan, industry can obtain improved profitability, efficiency and get a brownie point for protecting the environment and recycling. In many instances a company with as little as \$5-10 million in annual acquisition costs, could have a mini-scrap yard and mini used equipment company within their own business if properly managed.

**My consulting firm designs market Reutilization plans. The most practical methods for the recovery, marketing and disposal of excess or obsolete items is not always clear to the purchasing manager or CEO. To**

complicate matters, most in management place a very low priority on **Reutilization** even though this area can represent either an untapped asset or liability simply to dispose of some items otherwise resold with proper **Reutilization**. Our methods are designed to insure the highest net return or the lowest net cost to the company.

Here are a few broad objectives for good Market **Reutilization** plan:

1- Reduce unnecessary scrap and waste materials through, education, intelligent observation of the source of each item to be disposed through **Reutilization**. Close cooperation with the management and operating departments is a must.

2- Handle efficiently and economically all surplus equipment, machinery, waste and scrap materials in such a way as to realize maximum re-use and economic value of all such equipment.

3- Handle efficiently and economically all excess inventory and parts in such a way as to realize maximum re-use and economic value of all such material. To keep a running inventory of all available material for resale and/or for your re-use.

4- A plan for sorting, segregating, and preparing excess material to insure maximum market potential.

5- To advise the various departments in the segregation and handling of surplus and scrap material at the source, so as to avoid contamination.

6- Segregation and preparation of all collected materials for disposal so far as is economically feasible.

7- Development of additional uses and markets for the scrap and waste materials, thereby reducing the number of shipments to the local dump or land fill.

8- To maintain the "storage area" and to keep the area as neat as practical so as not to create an "eye sore."

9- To observe and analyze present and ongoing methods of disposal and make suggestions and proposals as to better and more efficient methods in an effort to save both time and money.

10- To market all re-sellable items through our international network of potential buyers.

The most important rule of thumb in a good market **Reutilization** program is to **"segregate, prepare, & identify."** First, all items must be segregated into like items so they may be identified. An otherwise useless piece of scrap iron or junk, when properly identified, may be a valuable alloy commanding a much higher value than scrap material such as iron and steel. Further, if properly prepared, that is, clean the material of foreign objects such as nuts and bolts etc., you will realize the maximum market potential.

In another example, an otherwise useless gearbox or electric motor, when properly identified may be a useable and sellable item in the hands of a used equipment dealer. And again the preparation phase, the unit

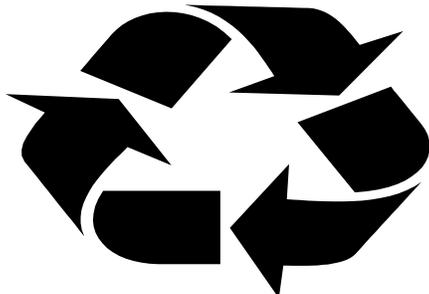
2 REUTILIZATION--DECEMBER 1999

would be cleaned and maybe even painted in order to maximize the market potential.

Marketing used equipment, stale or excess inventory or scrap materials, like any other art of selling, requires three important aspects; knowledge of the product. You must make a decision to learn to and become a used equipment salesman as well as a "junk man." Second, understanding the buyer. You must learn to deal with used equipment buyers, parts dealers and scrap buyers by providing the product in a way that is consistent with their needs. Third, knowledge of the market place. The size and quantity of the material or items have a distinct bearing on the market place. Truck load quantities will attract buyers from 300 miles or more, depending on the items offered. Thus in most cases, the more potential buyers and more competitive prices for your company.

A Case in Point

A Fortune 500 company authorized my firm to conduct an experiment. We had noticed material with a greater value than scrap iron being thrown into a roll-off container which was being serviced by a local container/scrap and waste removal service company. The scrap company had a 12 month contract to haul off the containers of "scrap" and pay my client two cents per pound. We were asked to remove the contents, identify the materials and appraise the value at current market prices.



What follows is a breakdown of the contents and the value we appraised

and actually sold on behalf of the company:

Scrap:	
Aluminum coils; 4130#@.16/#	\$660.80
Aluminum beams; 5130#@.13/#	666.90
Brass manganese, 1330#@.16/#	212.80
850 pounds scrap iron; no value	0
Trash, paper, oil, chemical waste	0
Several pallets, and scrap wood	0
Corrugated boxes; one ton	34.00
Electric motors; total 125 horsepower	
for total of	500.00
Drive and V-Belts 1 large box	
(NEW)	160.00
Nuts and bolts 35 gallon drum full	42.00
Shop tools; Large basket	
(core value) for total of	65.00
One NEW electric Makita Circular	
saw returned to store room	
for total of	310.00
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TOTAL VALUE	\$2,651.50

Had the above mentioned container been pulled and weighed as is normally done, (net weight was 16,180 pounds), this company would have realized about \$323.60 in revenue. However, by the time you consider that there are likely going to be deductions for the wood, paper, oil and chemicals, (scrap dealers like contaminate deductions), not to mention the rental on the container, this company may have actually paid to have the same material hauled off.

You may be thinking that this is just an isolated case and that something like this could NOT possibly happen at your company. But believe me corporate America, it happens daily at companies all over the country. Also, believe me when I say that used equipment buyers and scrap dealers are loving it. They know that for the most part that management places such a low priority on this material. If this is true, then you must accept the fact that you are losing a potential asset that has a great value. They think they are doing you a favor by hauling it off and the attitude of management seems to support their position.

A well planned and organized Reutilization program should handle all your companies overall recycling and waste needs. You will need someone in a position to offer a

complete and comprehensive service which will include all functions and responsibilities discussed. We know from experience, that the proper management of your surplus property will maximize your revenue potential AND effectively reduce your current overall disposal cost. In addition, its impossible to determine employee misuse and thief associated with a weak Reutilization policy. AS with used equipment dealers who take advantage of those with a low priority on Reutilization, so do your own employees. Remember the \$310 new electric Makita circular saw, from the scrap container. We first thought it was thrown in by mistake, but further investigation revealed that an employee and the driver of the container truck had a little side deal going. If management is going to place such little value on excess material, then it is no wonder that others will as well.

Well, what is the cost associated with the development and implementation of a Reutilization Program? Obviously, there are to many variables to give an exact cost. On one extreme, hire yourself a used materials manager, cost, about the same as that of your purchasing manager. Perhaps the best option is to hire yourself a consulting firm, who like my firm, specializes in Reutilization planning. But there are not to many of us around, because we can generally make a lot more money by taking advantage of companies like yours. What are costs associated with consulting services? Again, many variables. But, in the previously mentioned case in point, our client realized over \$2,500 more by utilizing our service (just from this one container). Our initial consultation fee generally works out to far less than that.

Costs are also affected by the actual working model that is best suited for your operation. There are four working models that will be emerging in coming years. They are:

- 1- Consulting & Advisory - Client company establishes a long term relationship with our firm. We observe

### 3 REUTILIZATION--DECEMBER 1999

present methods and offer constantly improving guidelines for improvement. This is an ongoing model that continues as needed month to month. Working as the purchasing managers "right hand" man, ( with respect to *Reutilization* ), this model is similar to that of a Realtor selling real estate. We are brokers that tell you when and where and how much sell your excess and obsolete materials.

2- **Preparation Contractor** - Makes use of outside personnel and our consulting services. All excess and obsolete materials and equipment are prepared, segregated, and identified in a manner consistent with the needs of potential buyers of the goods. This model frees up company personnel yet still enables the company to carry out a well run *Reutilization* program.

3- **On-Site Contractor** - This is basically a combination of both of the above models. An on-site office and outside staff and labor are utilized to handle the complete *Reutilization* program. This includes everything from arranging collection baskets next to copy machines for waste office paperstock to collection baskets next to drink machines for aluminum cans. From collecting all excess materials at the actual source in the plant and determine its role in the *Reutilization* plan to actually marketing, selling,

shipping and collecting accounts receivable on items sold. To bartering with "no-value" and "negative value" material in order to keep expensive shipments to the landfill to a minimum.

4- **Co-Operative** - This model utilizes all methods mentioned above. However, several companies in a geographic region CO-OP together in order to reduce expense and to accumulate larger quantities of like material, thus greatly increasing their selling power. This is the buyers CO-OP in reverse. Bulk accumulations of excess material and equipment means higher prices paid to each member in the selling CO-OP. In addition, it is possible that the CO-OP contractor could offer off-premise storage and warehousing, thus freeing up valuable company yard and warehousing for production.

The implementation largely depends on how serious you want to address the project. With the aid of our consulting firm, you will determine exactly what you want to achieve with respect to your A- recyclable materials, B- Scrap Materials, C- Waste Materials, D- Equipment & Parts Recovery (& *Reutilization*) and F- Investment recovery in general. In order to proceed and be successful in your *Reutilization* Program, you will need to be flexible and willing to

accept new concepts to handle this undertaking. In addition you will have to commit to either a long term consulting relationship with experienced professionals or hire a materials manager to set up and run the program as a business within your business.

Remember, a plant with as little as \$5-10 million in annual acquisition costs is a small used equipment company and maybe a mini-scrap yard. The profile suggests that the larger the annual acquisition cost the more important the need to establish a *Reutilization* PLAN now, these are the companies that stand to make or lose big bucks the most. You may be able to realize profits in these areas, rather than paying someone to haul it off for you.

The next century will be a century focusing on recycling and reclaiming through "market *Reutilization*."

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