

Faulty Business Model, Other Factors Contribute to Recycling Company Failure

By [Trini Jones](#)

President of the Association of California Recycling Industries

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California's Beverage Container Recycling Program has long been in need of comprehensive reform, but the recent closure of the rePlanet recycling centers statewide was principally the result of other factors, including its own faulty business model, rising costs, volatile scrap prices, and burdens and restrictions imposed by local governments on recycling center operations. rePlanet also faced a number of significant business and legal issues that often get overlooked.

In short, rePlanet's failure should not be placed at the doorstep of the agency responsible for overseeing California's Beverage Container Recycling Program, CalRecycle.

As longstanding recyclers in the state who have invested millions of dollars into operating recycling and processing facilities in California, members of the Association of California Recycling Industries agree the Beverage Container Recycling Program is in urgent need of significant reform. In fact, we have spent the better part of the last decade recommending thoughtful and informed structural improvements to the Beverage Container Recycling Program, while opposing efforts to simply push more money through the same faulty system that bestows windfalls of \$30,000 per month on some handling fee recycling centers, while providing as little as \$10 per month to others. We continue to support restructuring financial reimbursements and subsidies in a manner that better reflects the dynamic economic realities of operating a certified CRV facility, while ensuring a level playing field that prevents recyclers from misusing state subsidies to squash healthy competition.

In rePlanet's case, it has been estimated that rePlanet's 284 sites received a state handling fee subsidy of nearly \$14 million in 2018 alone. These are monies that are not available to every recycler but only those at certain retail sites, such as supermarkets. Those state subsidies were intended to support convenient recycling opportunities, but seemingly helped rePlanet engage in aggressive price competition, support questionable business decisions, and, according to the California Secretary of State, pay nearly \$250,000, in the past few years alone, to a Sacramento lobbying firm in order to influence public policy.

The public deserves to be able to redeem their deposits in a convenient and reliable manner and targeted subsidies or incentives are likely needed to ensure that redemption opportunities are available throughout the state; however, the one-size-fits-all approach is failing. We can no longer treat the communities of Los Angeles County and Tehama County as if they're the same—they are not.

There are various challenges the legislature should thoughtfully consider prior to advancing significant changes to the program. It would be a lost opportunity to merely respond based on rePlanet's closure. Since the establishment of the program in 1986, it has been amended incrementally more than 70 times. It is time to roll up our sleeves and make lasting, comprehensive reforms to this landmark program; reforms that are transparent and fair and which represent genuine improvements.

We ask the State to work with industry stakeholders to develop long-term, wide-ranging reforms to our redemption program that will ensure its lasting survival and success.

For information about the Association of California Recycling Industries please visit: www.acrinow.org