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**CleanGreen**  **Advocacy**  
for Hawai'i

225 Queen St., #20F, Honolulu, HI 96813 - [CleanGreenAdvocacy@yahoo.com](mailto:CleanGreenAdvocacy@yahoo.com)  
Keith Rollman (Cell): 808-358-3414

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Chairman Stanley Chang  
Committee on Public Works  
Honolulu City Council  
530 S. King Street, Honolulu HI

March 27, 2011

Dear Chairman Chang:

**We strongly recommend the passage of Bill 47 as written.**

Recycling is a vital and important function in our Island community, but it should not be used as a license to pad profits at the taxpayers expense. It only makes the public rightly skeptical of operations it should confidently support.

Bill 47 should pass and this waste of tax dollars should end. There is no logical "middle" ground that is acceptable. Lacking any disclosure of actual need, now or in the past, the subsidy should end in its entirety now, or even retroactively. **Any proposal of a "reduction" or "phasing out" of city-funded subsidies to profitable private sector companies would be an insult to Honolulu's taxpayers.**

**Bill 47**

I've come to several conclusions about this bill that I would like to enumerate:

1. Originally, the idea of providing recyclers with a subsidy (80% tipping fee reduction) was probably a good idea, as the price of strap metal was depressed and the early recycler operated on a small margin.
2. That has changed. The profitability of metal recycling is now huge and the "need" for discounts and incentives has now passed.
3. The largest and nearly monopolistic metal recycler, **Schnitzer Steel, is making millions of dollars and simply takes the additional city subsidy as gravy**, which now approached \$2 million a year. In fact, it no doubt uses, the "free money" as an unfair advantage to suppress competition by overbidding metal prices.
4. The Aloha Aina community recycling program is a great public service. However, I believe the motive for Schnitzer's involvement in this program is to shield against any attempt to remove the taxpayer provided subsidy by claiming that it directly funds the program. The costs of the program to Schnitzer has been misrepresented to be as high as \$230K, while it is realistically more like half of that. The balance of the \$1.9 million received last year simply goes onto Schnitzer's bottom line.

Position of Clean Green Advocacy

My conclusion, and that of CGA, is that Schnitzer Steel does not need, nor does it deserve any taxpayer largess and has unfairly exploited the situation for over 5 years, maybe longer. In this time of belt-tightening this type of corporate raiding of tax money is unconscionable. Schitzer's testimony before the City Council has been diversionary, contradictory and deliberately misleading; all in an attempt to keep this money coming in. They refuse to divulge any financial records for their Hawaii operation, citing SEC regulations, although none can be found. Their General Manager for the past 20 years, James Banigan, has stated in a interview with Civil Beat that Schnitzer is basically lying about its profitability, cynical use of Aloha Aina to protect its subsidy and any real need for the money other than additional profit. Schnitzer's assertions that this is "taking money away from recycling" is grotesquely self-serving, and its threats to leave the market and an estimated \$10 million/ year operating profit are totally absurd.

Best,

A handwritten signature in black ink, appearing to read 'Keith Rollman', written in a cursive style.

Keith Rollman  
Director, CGA for Hawaii

Attachment: Civil Beat, 3/24/11, Former GM: Scrap Yard Doesn't Need Subsidy

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## Former GM: Scrap Yard Doesn't Need Subsidy

By Adrienne LaFrance 03/24/2011

Schnitzer Steel has misled the Honolulu City Council about the company's need for a \$1.9 million annual subsidy, its longtime general manager told Civil Beat.

"They certainly can afford to pay their fair share," James Banigan said. "There is no question about that."

Banigan, who left the company in December, also said Schnitzer Steel does not pay as much for community recycling programs as it suggested to the City Council, and that his boss told him to threaten to end those programs if the company didn't get what it wanted from the council. A spokesman said he didn't expect Schnitzer would respond to that claim.

The council is considering whether to end the subsidy, with some members arguing the city can't afford it and others concerned that it can't afford to lose a community recycling program run by Schnitzer.

The subsidy comes in the form of a discount, which [Bill 47](#) would eliminate. Now, companies that recycle more than 2,000 pounds a month can dump the residue that remains from the recycling process into the city landfill and pay 80 percent less in fees to the landfill.

Facing the threat of losing that discount, Banigan submitted testimony opposing the measure in October 2010. He wrote: "If enacted, Bill 47 will bring an abrupt end to Schnitzer Steel Hawaii Corp.'s Aloha Aina and Nets-to-Energy programs."

The company has since walked away from that position, and a spokeswoman said it's Schnitzer Steel's intent to continue Aloha Aina. But Banigan said a boss told him to submit testimony opposing the bill, and use community recycling programs as leverage.

"No doubt about it," Banigan said. "I was told by my boss that that's the message I should convey, 'If Bill 47 passed, we would have to pull Aloha Aina.'"

A Schnitzer spokesman said if that's true, the company's position has changed.

"I think they took a look at those hard costs, and initially they just thought it would be one of the consequences, and they chose specific words to use," said Travis Taylor. "Following that, the company took a larger perspective, seeing how their community programs are a core part of what they do and who they are."

Jim Banigan worked at the scrap metal yard — formerly Hawaii Metal Recycling — for nearly two decades before he was fired in December. Banigan says he's prohibited from talking about the details of his departure, except to say that an "at-will company can let you go at any time they want, for any reason they want."

A lawyer for Schnitzer Steel told Civil Beat it's the company's policy not to discuss personnel matters. Officials with Schnitzer Steel have also refused to disclose financial records, saying it would put their business at a competitive disadvantage.

Without that data, the City Council has to take Schnitzer Steel at its word that losing \$1.9 million would significantly affect the company's ability to do business in Hawaii.

"We recognize that providing detailed financial information could help us in the short term on this particular issue," wrote Jennifer Hudson, governmental and public affairs manager for Schnitzer Steel Industries' Metals Recycling Business, in a statement to Civil Beat. "But we are competing on a global scale and disclosing financial information for our Hawaii yard would have a detrimental effect to our company as a whole."

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About the Author

Adrienne LaFrance  
Honolulu Reporter-Host



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Banigan says if Schnitzer were willing to release those records, they wouldn't help it make the case to keep the discount.

"In the state of the city address, Mayor Carlisle said we can all get through this if everyone is willing to share in the sacrifice," Banigan said. "Quite frankly, Schnitzer can afford it. They can absolutely afford it."

The market for scrap metal has steadily grown in the past decade, with a significant decline in 2008 due to the global financial meltdown. Banigan says Schnitzer Steel is getting far more for scrap metal today than it did when the discount was initiated.

He also says Schnitzer Steel overstated the cost of running Aloha Aina days. Hudson testified before the City Council that Schnitzer had 38 Aloha Aina events scheduled this year, and that each event costs about \$6,000 for the company to coordinate. Banigan said her characterization is higher than already-generous estimates he made when he ran the program.

"The actual cost of the event comes out to about \$5,500 an event, and that's generous," Banigan said. "With one person at the yard, inspection of material takes about 10 minutes and there are only three or four loads so at the most it's maybe half an hour, 45 minutes, but I allotted four hours. And a person weighing the material, the weigh-master, again, it's only 10 minutes per load and, at the most, four loads a day. That's 40 minutes, but I've given them four hours."

### **Aloha Aina Costs**

#### Schnitzer

View more [documents](#) from [Civil Beat](#).

Banigan also said there's a key distinction between regular events and "mini-events."

"They have mini-events where there's no labor, there's no loader, there's no equipment," Banigan said. "So all those costs go away. Mini-events cost maybe 300 bucks an event."

The [2011 calendar of Aloha Aina events](#), last updated Feb. 8, shows 35 events. Five of those 35 are listed as "mini-events;" seven of them aren't classified either way.

Taylor told Civil Beat that Schnitzer estimates an average cost of \$6,000 per event.

"We're still looking into the individual costs of the mini events," Taylor wrote in an email. "Some of the larger events cost more, and the mini events cost less." A City Council aide said the Public Works and Sustainability Committee will discuss Bill 47 in a committee meeting next week. The committee's chairman, Stanley Chang, has said he is working on an amended version of the bill, which he hopes will garner wide support.

For now, some council members remain skeptical about whether the city can afford to cut a subsidy that might lead to the elimination of the Aloha Aina community recycling program. But Banigan said he believes Aloha Aina is safe.

"It's a great program, and to hold a program like that hostage, I think it kind of backfired," Banigan said. "This publicity around it of, 'If I don't get what I want, then I'm going to pull a good program.' It's a matter of public image. Making sure they maintain a good image, and value within the community."

**DISCUSSION:** *What do you think should happen with Bill 47? [Share your thoughts.](#)*

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