

James C. Banigan III
2208 Halakau St.
Honolulu, Hawaii 96821

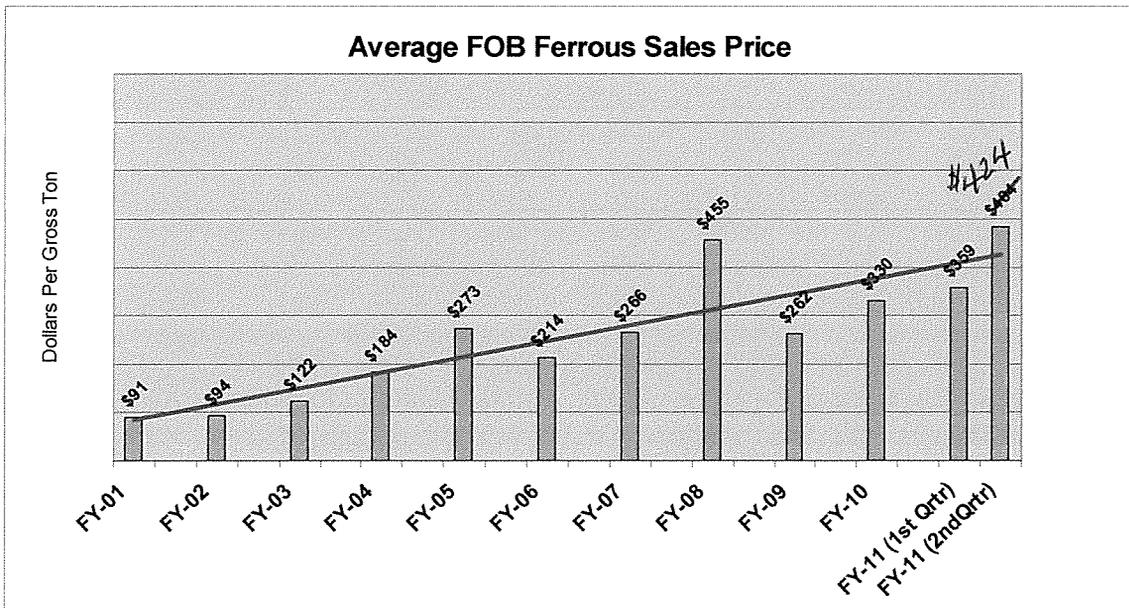
The Honorable Ernest Martin
Honolulu City Council
City and County of Honolulu
Honolulu, Hawaii 96813

Chair Martin & Members of the Budget Committee,

Thank you for the opportunity to offer testimony in opposition to Bill 36 and Bill 37.

I was the General Manager of Hawaii Metal Recycling Company (“HMR”) from January 20, 1992 until September 30, 2005 when HMR was acquired by Schnitzer Steel Industries, Inc. I served as General Manager of Schnitzer Steel Hawaii Corp. (“SSHIC”) from October 1, 2005 until my release from the company on December 10, 2010. I was responsible for running the company in Hawaii and developing the strategy for increasing the tip fee discount from 50% to 80%.

As the attached graph shows, in 2001 when Ordinance 01-65 (Bill 90 CD1) was passed the average FOB (i.e. price excluding ocean freight) selling price of scrap metal was \$91 per gross ton (2,240 lbs.). This ordinance increased the existing tip fee reduction from 50% to 80% for a period of three years.



(Data obtained from Schnitzer Steel Industries, Inc. SEC Form 10-K)

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In 2004, when Ordinance 04-07 (Bill 3) was passed the average FOB sales price had more than doubled to \$184 per gross ton. This ordinance removed the sunset provision in Ordinance 01-65 and made the tip fee discount permanent.

During the second quarter of FY-11, the average FOB sales price rocketed to \$^{#1424}484 per gross ton, which represents a 431% increase from the 2001 average sales price. It is apparent from these price levels, that the general health of the scrap metal recycling industry in Hawaii is very strong and does not need any government assistance at this time.

The most troubling aspect of both of these bills is that there isn't any requirement that a company provide any proof that government assistance is needed. When an ordinary citizen applies for a loan from a lending institution, the applicant is required to provide financial documentation which indicates that the loan will be repaid. If a non-profit requests a government grant, documentation is required detailing the specific need for the grant. Without some sort of documentation, loans and grants are usually denied.

Although I do not support either of these bills, if the Council believes that a discount is needed, then I would strongly urge you to insert what I term a "proof-of-need" clause into both of these bills. Sales prices for scrap metal have been very volatile over the past several years. Keep the tip fee discount where it currently is but insert proof-of-need language into both of these bills. That way if there is a sudden downturn in the market, as happened in October 2008, recycling companies will have the opportunity to petition the government for help.

Mahalo,

Jim Banigan
5/4/11