



## STATE OF CALIFORNIA AUTO DISMANTLERS ASSOCIATION

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### ***VIA ELECTRONIC SUBMISSION***

January 25, 2016

Mr. Gideon Kracov  
Chair, Independent Review Panel

Mr. Mike Vizzier  
Vice Chair, Independent Review Panel

Dr. Arezoo Campbell  
Independent Review Panel

Dear Independent Review Panel members:

On behalf of the State of California Auto Dismantlers Association (SCADA), we respectfully submit the following comments for your consideration as you review DTSC's activities and prepare recommendations for the Legislature.

The State of California Auto Dismantlers Association (SCADA) is the statewide trade association for the professional auto dismantling and recycling industry with approximately 150 small business members within 6 local chapters and Direct Membership Areas. SCADA was founded in 1959 to serve the members with education, regulatory, and business activities. Our members are licensed recycling facilities that take responsibility for recycling and disposing of end of life vehicles using environmentally responsible practices, selling used vehicle parts under Standard Industrial Classification (SIC) Code 5015.

Licensed auto dismantlers provide an essential service that directly addresses society's ever increasing problem of what to do with end-of-life vehicles (ELVs). An estimated 1.2 million vehicles will reach the end of their useful lives this year in California, either by determination of their owners or by being declared a total loss by an insurance company. While those vehicles might otherwise end up on the roadside or abandoned in empty lots, licensed dismantlers acquire them and safely convert them into reusable/recycled commodities.

Vehicle fluids and other regulated materials are extracted and properly recycled. Recovered parts are then sold to repair other cars at a savings of up to 80% over the cost of new parts. Recyclable materials are sent to a processor, and manufactured into new products. There are about 1,100 auto dismantlers licensed by the California Department of Motor Vehicles who are regulated by nearly two dozen local, state and federal environmental, worker safety and public safety agencies.

SCADA members support responsible recycling, worker safety, and environmental protection. SCADA promotes the proper handling and disposal of all automotive-related hazardous materials, including gasoline, oil, freon, antifreeze, brake fluid, transmission fluid, batteries, mercury switches, and tires. In 2001, SCADA committed to the industry's premier certification program within the United States. The Partners in the Solution® program was developed to help SCADA members improve regulatory compliance and to motivate facility operators to meet the nation's highest environmental and safety performance standards. This proactive, industry led approach assists

members in complying with the complicated set of environmental, safety, and business regulations that face California auto dismantlers.

### **The Underground Economy**

The underground economy in California continues to be a huge dilemma facing the auto recycling industry. It is estimated that at minimum 30% of all end-of-life vehicles are being processed through a thriving underground economy of unlicensed and unregulated dismantlers. These cash only businesses do not have the same licensing requirements, insurance obligations, work place safety requirements, tax liability and environmental regulatory requirements as required by law for licensed dismantlers. This results in these bad actors enjoying a growing competitive advantage over the good actors. The consequences of these circumstances and limited enforcement activity on the bad actors has led to a growing lack of compliance with dismantler laws, illegal dumping and disposal of vehicles, improper hazardous waste handling, and much more. Many of these violations are occurring in California's most vulnerable and disadvantaged communities.

The un-level playing field associated with the numerous unlicensed, unregulated entities acquiring end of life vehicles and who refuse to comply with environmental and other regulatory requirements is real and significant. This serious competitive disadvantage for SCADA members does not exist for many other industries subject to the various laws and regulations the Department of Toxic Substances Control (DTSC) seeks to enforce. In this regard, we urge the Independent Review Panel (IRP) to be mindful of the unintended consequences for providing recommendations that would further harm the good actors, benefitting and supporting a higher volume of unlicensed, unregulated actors who place public health and the environment in jeopardy.

In the dismantling industry, the cost of compliance fails to outweigh the benefits of non-compliance in operating illegally outside regulatory purview. Further, enforcement is focused on those DTSC and other regulators "know" because they are formally licensed and attempting to be in compliance. Dismantlers are often faced with the challenges of those who do not have the same cost structure because the bad actors choose not to comply, placing the good actors who strive for compliance at a competitive disadvantage because the cost of compliance is quite high.

Cost increases associated with compliance essentially cripple many professional auto dismantlers in California, driving smaller operations out of business, forcing more dismantlers underground as illegal operators, and ultimately threatening public health and environmental quality as fewer vehicles will be properly processed with fluids managed properly.

In just the last 5 years, the number of licensed dismantlers in CA has dropped from 1236 to 1072 and is representative of the historical decline that has occurred over the last decade. We attribute this to the growing cost and regulatory advantage the unlicensed/underground dismantlers enjoy over the licensed dismantlers, thus, forcing the good actors out of business or going unlicensed. With the growth in population and corresponding numbers of automobiles in the state it seems counterintuitive that there would be a decline in licensed auto dismantlers.

### **Recommendations**

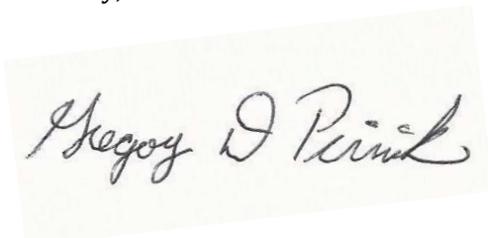
To address some of these very real, significant concerns to public health, environmental quality and the viability of small businesses who are the good actors in the industry, we provide the following recommendations to the IRP for consideration.

1. Work with DTSC to identify what additional statutory authority it requires to enforce against the unlicensed, bad actors whose actions are improperly releasing hazardous waste into the environment and affecting public health – particularly in disadvantaged communities.
2. DTSC should ensure its regulatory programs are efficient and effective, focusing on improvements that will have direct and measureable benefits on public health and environmental quality while not placing unnecessary and significant costs on businesses.
3. The Legislature should introduce and pass legislation to require the establishment of a multiagency partnership consisting of DTSC, the Department of Motor Vehicles, Board of Equalization, the State Water Resources Control Board and the California Environmental Protection Agency to collaborate in combating underground, unlicensed and unregulated auto dismantling for the purposes of investigating environmental quality issues, public health concerns, and criminal tax evasion that is occurring as a result of this activity and the lack of enforcement.

SCADA understands that hardworking DTSC employees do their best to combat the problem, but according to DTSC staff they do not have the authority to enforce against unlicensed entities and unlicensed entities are often not a priority resulting in a lack of direction, adequate resources, data and equipment to effectively do their jobs and protect the environment and public from improper hazardous waste releases.

SCADA thanks you for the opportunity to share our concerns and recommendations. If you have any questions, please contact Gavin McHugh with McHugh, Koepke & Associates at (916) 930-1993. Thank you!

Sincerely,

A handwritten signature in cursive script, reading "Gregory D. Pinski", is written on a light-colored rectangular piece of paper. The signature is fluid and legible.

State President  
State of California Automobile Dismantlers Association

Cc: Members, SCADA Board of Directors