



Developing a Scrap Tire Business

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RMA Scrap Tire Activities

- RMA is the association that represents the 8 U.S.-based tire manufacturers
- Scrap tire activities began in 1990
- Scrap Tire Management Council = RMA
- RMA works with governments, scrap tire users, NGOs, general public to accomplish mission

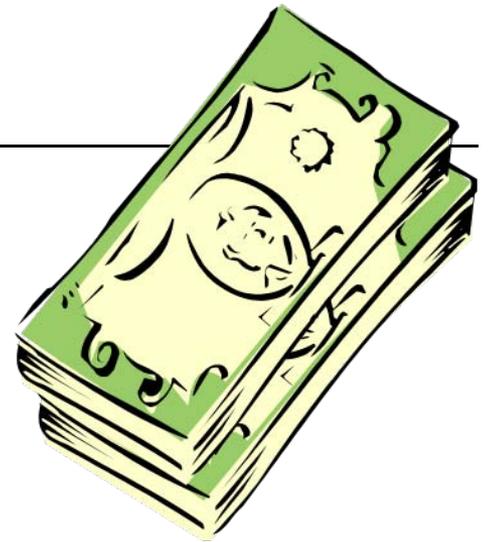
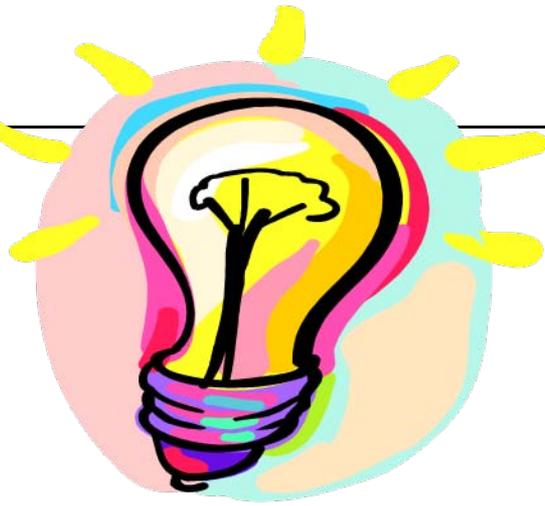


RMA Tire Company Members





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manufacturers
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Starting a Scrap Tire Company

- Entrepreneurs face many challenges
- Many companies fail within a year
- Collecting and processing tires are important, but not the most critical components of your operation
- Markets critical to success



Understanding the Scrap Tire Situation

- Two components of the situation
 - Annually generated scrap tires
 - Tires in stockpiles
- Different markets/end uses for each
 - Stockpiled tires go to fuel and engineering
 - Annual tires can go to any end use market



Understanding the Scrap Tire Situation

- Scrap tires are generated every year
 - Constant supply
 - Need to increase markets every year
- Quantity of tires generated goes up every year
 - More people driving more vehicles every year



Characteristics of the Scrap Tire Industry

- ✓ Necessity
- ✓ Predictable
- ✓ Recession Resilient
- ✓ Capital Intensive
- ✓ Regionally Based Markets



Understanding the Scrap Tire Situation

- Must be viewed as a business
- Scrap tire companies must comply with sound business practices
- Competition is large; margins are small
- Management is critically important
- Government policies have a direct impact on the industry



COMPONENTS OF THE SCRAP TIRE INDUSTRY

- ✓ Sourcing: Where will the tires come from?
- ✓ Collection/Transportation: Highest cost factor
- ✓ Handling/Sorting: Another overlooked cost
- ✓ Processing: Right products for the market
- ✓ Marketing: Absolutely critical



REQUISITES FOR SUCCESS

- Research
 - Markets
 - Technology
 - Regulations
 - Competition
- Feasibility study
 - Run the numbers
- Commitment to success
- A plan



REQUISITES FOR SUCCESS

- A plan B
- Long-term vision
- Financing
- Ability to manage both the processing operation & the marketing of your products



Return on Investment is a function of:

- Adequate supply
- Efficient handling & processing
- Realistic markets & pricing
- Understanding of the marketplace
- Qualified personnel
- Stable regulatory environment



MARKETING CONCEPT: 5 P's

- Price: must be competitive
- Place: transport & supply are critical
- Product: what you are selling
- Promotion: let the world know
- Permitting: critical part of the game



Risks to the Entrepreneurs

- Inconsistent/poor quality product
- Not understanding the market
 - Changes
 - Demands by your customers
- Reliance on a single market
- Lack of focus
 - Not a part-time job
 - Understand the service you provide



Risks to the Entrepreneurs

- Large capital investment
- Lag between investment and ROI
- Equipment failure
- Changing regulatory environment
- Competition
- Environmental opposition

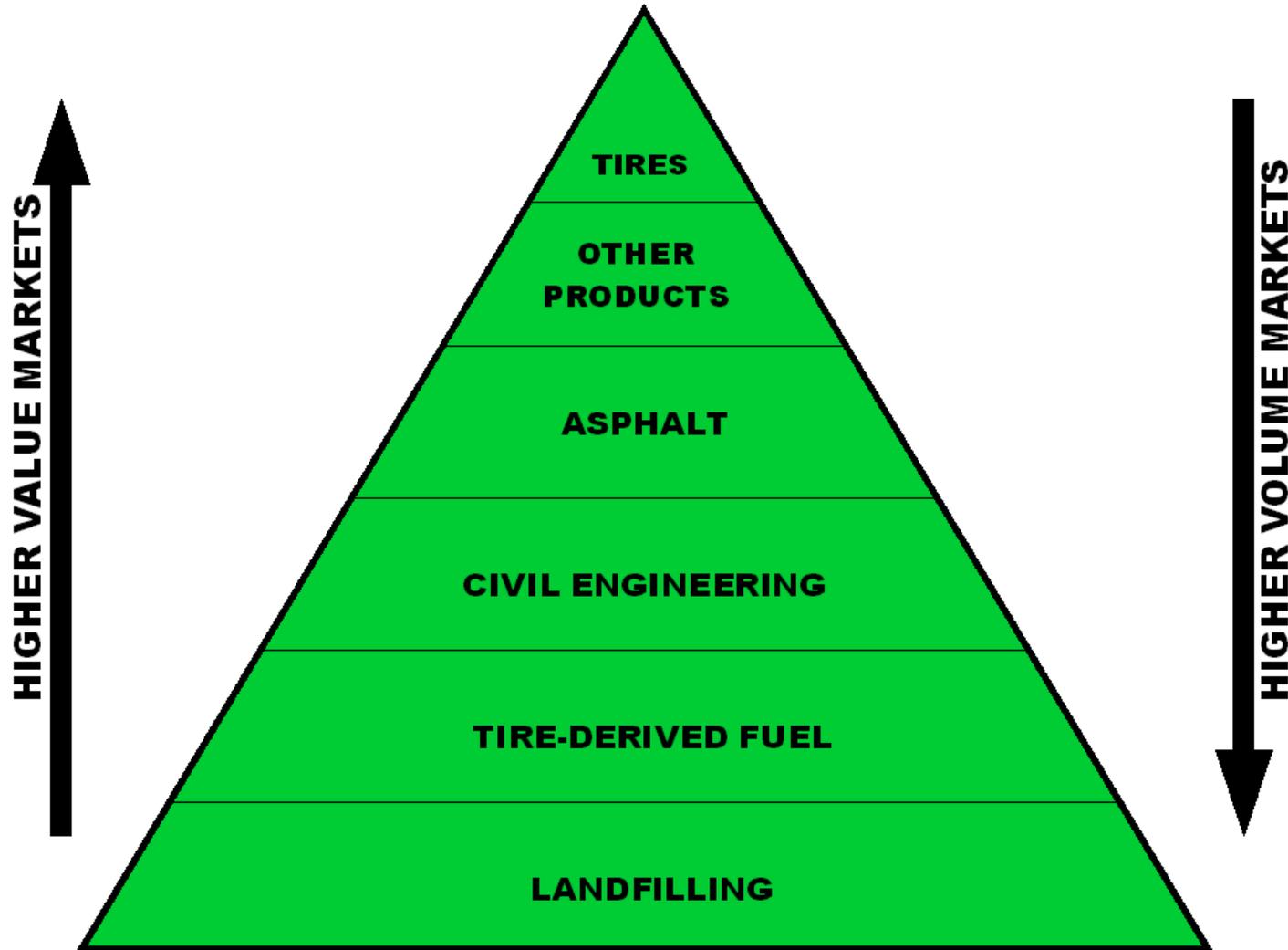


Important Consideration for Success

- Must have an end-use market
- Must have adequate financing
- Should have a 1-year plan, 2-year plan, 3-year plan
- Evaluate/update/revise your plans



SCRAP TIRE MARKET HIERARCHY





Opportunities

- Scrap tires recognized as an environmental priority
- Increasing markets
Acceptance as a Resource
✓TDF = Fuel
- Improved processing equipment
- Recognition as an investment possibility



Opportunities

- TDF is an accepted use for tires; potential end users exist along border
- Civil engineering applications would be an easy fit
- Well developed transportation system
- Relatively inexpensive labor costs



Conclusions

- Scrap tires are not going away
- Market opportunities exist, but need does not always create demand
- Sound business practices must be applied
- There are many components to a scrap tire business: must master all to be successful



Conclusions

- Challenges exist on three levels: government policies, efficiencies of your company & competition
- Thorough research/development of a business plan should be done before making an investment
- Resources exist and are available



www.rma.org/scrap_tires

- **BLUEPRINT FOR TIRE RECYCLING**
- *The Things to Consider When Planning on Starting a Scrap Tire Business*
- When starting a scrap tire company there is a series of business decisions that must be given extensive research. These decisions will be based on a series of factors, all of which must be fully explored before each decision can be made. Often, later decisions will be a function of decisions made early in the planning process. The information provided in this document was developed as a tool, designed for a “newcomer” to environmental-related businesses.



www.rma.org/scrap_tires

- Scrap Tire Publications: General section
- Consideraciones Para Iniciar Una
Compañía de Llantas de Desperdicio
Plano para Crear una Estrategia de
Comercio



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