The Reconditioning Industry: Past, Present and Future

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The Reconditioning Industry in the Past

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When Paul Rankin asked me to speak for a few minutes about the reconditioning Industry in the past, of course I refused. I enquired of Paul why he was asking me, and he said, "Because, Mike, you are old enough to remember a lot of the things from the past." I said, "Paul, there are folks who will be at the meeting who are older than I." "Yes", Paul said, "but a lot of them can't remember."

Then Paul reminded me of my service twenty years ago as Editor of the late Pam Terry's great book on our trade: *55 Gallons – The History of Steel Drum Reconditioning* – and of course I couldn't plead ignorance of a lot of reconditioning's past. So here I am.

The book, *55 Gallons*, covers a great deal of the history of both the reconditioning industry and the containers that were used and reused to store and transport product, running from Biblical times, when barrels are mentioned in the Old Testament, up to the book's publication in 1991. With that kind of scope, obviously I can only mention a few highlights. Here are four things from the past that continue to stand out for me.

The first is how closely the development of a reconditioning industry paralleled the development of this great country. From almost every corner of Europe came immigrants, none with any real wealth, looking only for the opportunity to work hard and succeed. Pam Terry put it this way:

> *From Kiev, Odessa and Pliskiv in the Russian Ukraine, from Warsaw, Farben, Skidel in Poland, from Belfast and Limerick in Ireland, Abruzzi and Naples in Italy, from Lithuania, Armenia and small towns in Germany, they came – the Levines, Perlmans, Hershsons, Kaminskys, Katzes, Cohens and Arshinoffs, the McGuires, McCarthys, Cabreys and Dugans, the Buonannos, Langellas, Trillas, the Caligs, Wassermans, Kitzingers, Jakackis – the pioneers of what was later to become the drum reconditioning industry, looking for the promise of a land they fought and sacrificed to reach. Often they left loved ones behind, to be brought over later when a homestead had been established and enough money earned to pay for their passage. Often, it took years.*

Yes, our story is the American story – a story about men and women of courage, persistence, imagination, occasional rascality and – above all – hard work, who built an industry, and on a larger scale, built a country. On both counts, it is a history to be proud of.

Second, one stands in awe at the extent of technical innovation demonstrated by the early industry pioneers. Few of them had much formal education, yet some were amazingly resourceful. Almost all of the machinery and equipment we now use to reprocess industrial shipping containers developed from the ideas of those pioneers. Pam Terry described this process quite well:

> *In the beginning, no one really knew how to recondition a steel drum. The tools of the cooperage trade and the existing wooden barrel machinery were of little use, given the differences in steel drum design, materials and construction. But, as was the case in so many other new industries, ambitious, hard-working and clever men studied and solved, one by one, the technical challenges of the emerging business. It was a matter of trial and error; of ingenuity and inventiveness; of persistence and perseverance; of stoicism in the face of failure; the unique joining, really, of far-reaching imagination and down-to-earth, practical application that Frank Langella…always called "Imagineering."*

Third, no discussion about the reconditioning industry's past would be complete without including our amazing trade association. Known at first as the National Barrel and Drum Association, and now as the Reusable Industrial Packaging Association, a case could be made that without NABADA and RIPA there might not today be a reconditioning industry.

The pivotal meeting at which NABADA was formed was almost 70 years ago, in December 1941, as the country plunged into World War II. During the war all industry was brought under close government coordination and regulation, and creation of NABADA was crucial to facilitate our industry's participation in this process. After the war, the government never really went away, and NABADA and RIPA continued to assist its members – almost all of whom were then small businesses – to cope with what, by the 1970s, was labeled "the regulatory onslaught." These pressures, of course, continue to the present day.

Like the industry itself, there is so much in RIPA's past that we could talk about. One thought occurred to me a few weeks ago, when I attended the 45th reunion of my class at the Harvard Business School. A very large part of today's business school curriculum concerns organizational management, and I was surprised at the extensive number of courses that now deal with this subject. But when you think about all the ways that organizations can and do fail in their missions, such attention is certainly warranted. That took me back to 1980 and 1981, when an activist group of RIPA members examined and then brought about a number of organizational changes in our trade organization. These were changes that I believe we can now say – with the benefit if hindsight – were of signal importance in the continued success of RIPA as an organization.

The first was to recognize that we just did not have enough horsepower to cope with the growing industry challenges which seemed then – and have since

proven to be – permanent. We had only a part time President, and an Executive Director, and that was it. So the position of General Counsel was created, and in a stroke of pure genius or maybe incredible good luck Larry Bierlein joined RIPA. The rest of that story you know; Larry brings the highest level of intellectual ordnance to the battle, and has been invaluable to RIPA and our members. Not long afterwards, the association President was made a full-time position.

Next came the Board of Directors. Up until that time, there was a remarkable sameness about meetings of the RIPA Board. I remember the first meetings I attended – they were almost all old guys, with white hair. And meeting after meeting, they were mostly the same persons – there was almost no turnover. Yes, the Directors had to be elected every two years, but because of the friendly relations that usually existed among the membership, a sitting Director was almost never challenged for re-election. A stagnant Board is not a good Board. The obvious answer was to establish term limits. Now some openings on the Board are guaranteed in every election, and members who desire to participate and serve on the Board can run for an open seat. More members get exposed to Board service, and every two years RIPA gains an influx of fresh thinking. There's nothing stagnant about today's Board.

Probably the most significant organizational change came from the recognition that we needed one of the working members in the industry to become closely involved in all important aspects of RIPA governance, and work closely with the association President. Thus did we create the position of Chairman of the Board. As you look back over the list of Board Chairmen since Sidney Blatt first served in 1981, one is struck by the number of industry leaders who gave up a good part of their work at their own companies and spent a two year term working for the benefit of the industry and the association. In many other trade associations, the role of an industry Chairman is mostly honorary; in RIPA, it's a job for persons who are willing to roll up their sleeves. And their effectiveness has been enormously enhanced by their serving, over these last 20 years, with one of the most outstanding association executives in the business, President Paul Rankin. I have every confidence that RIPA will continue to ensure that the organization's management structure meets the changing needs of the times.

Finally, one of RIPA's most significant accomplishments was the work leading to the creation of the International Confederation of Container Reconditioners, and then to full, effective ICCR participation in the United Nations Committee of Experts which effectively writes world-wide regulations on the transport of hazardous materials – including their packaging. Constantly prodded by the leadership of Morris Hershson – who clearly saw the future, and knew the meaning of the term "International Harmonization" – by the mid-1980s RIPA succeeded in bringing together the European, Japanese and Asian associations into ICCR, and then receiving official Observer status with the UN Committee. The work from that period lives on today – for example, in the durable and permanent markings applied to all

drums used for hazardous materials. Later efforts included plastic drum reconditioning, the use of recycled plastic resin for the manufacture of new drums, and IBC reprocessing. ICCR remains an important vehicle for coping with whatever the future may hold.

I want to close with an observation about the leadership shown by reconditioners. As I mentioned earlier, we got together to form a trade association in 1941. It wasn't until three years later, in 1944, that new drum manufacturers caught on, and formed their trade group, the Steel Shipping Container Institute. Reconditioners formed ICCR and received Observer status at the UN Committee of Experts in 1988; again, it was a few years later before new drum manufacturers created ICDM, and did likewise. From very, very humble beginnings reconditioners created an industry and have consistently been out front in the world of industrial packaging. It's a past to be proud of.

The Reconditioning Industry Today

By Paul Rankin

It is nearly impossible to draw sweeping conclusions about the state of the reconditioning industry today, but I can say one thing for sure: This is not your father's reconditioning industry.

If a snapshot were taken of the people in the meeting room today and then compared to a similar picture taken 20 years ago, you would notice changes, but they would be subtle. What the lens would not reveal is that most of the people in the room two decades ago were second, third or even fourth generation owner/operators. Historic names like Pearlman, Bank, Paul, Rubin, Skolnik, Stewart, Harbison, Dworsky, Levine, DeWitt and others would be in the majority.

Today, the industry is about evenly split between relatively new entrants and family businesses. My point is that although this is an industry with a long history and deep roots, it is also one that is changing rapidly while dealing with one of the most dynamic and difficult business climates since the Great Depression. Reconditioners today live in a much more highly regulated world, so of necessity business owners are charting a new kind of entrepreneurial path to business success.

In order to more fully appreciate the state of the industry today, it is necessary to look at the not to distant past. In 1970, only one reconditioner in North America was interested in reconditioning plastic drums. Ted Levine, one of the founding members of RIPA, was the only association member who believed there was a future in reconditioning this new kind of container. When he announced his interest in plastic drum reconditioning at a Technical Meeting, he was nearly booed out of the room. RIPA was, after all, a steel drum reconditioning association; and that was that.

Ted Levine may have been a bit ahead of his time, but by the mid-1980's virtually every member of the association was deeply involved in reconditioning plastic drums. Today, there are about 15 million 55-gallon plastic drums produced in the U.S. each year, and about 5.5 million of those drums are reconditioned by RIPA members annually.

Twenty-five years ago, the 275-gallon composite IBC was just breaking into the North American marketplace. Reconditioners were skeptical of the packaging; it was big, expensive to transport, bulky to store, and difficult to clean. Worse, there very few market outlets available to reconditioners for used IBCs. But, following the pattern set by the plastic drum, reconditioners began to form partnerships with IBC producers and identify markets for this new product. By

the late-1990's reconditioned IBCs took their place alongside steel and plastic drums as a key component of nearly every reconditioner's business portfolio.

For the past decade, the composite IBC has been the fasted growing industrial packaging in the marketplace, and most reconditioners are, to a greater or lesser extent, handling these packagings. Today, RIPA estimates that about 2 million 275- and 330-gallon composite IBCs are produced annually in North America, and about the same number are being collected and reconditioned.

With all these new containers entering the marketplace, it is reasonable to ask: Whatever happened to the steel drum? Well, the short answer is: Not much! The venerable 55-gallon steel drum that was introduced to North America by Nellie Bly more than a century ago is doing pretty well. According to our friends at IPANA, about 21.2 million 55-gallon steel drums were produced in 2009. At the same time, RIPA found that reconditioners were processing nearly 30 million of these containers! This is so in part because many steel drums make more than one round trip per year.

New 210 Liter Steel Drum Production in United States
1996 – 2009 (estimated)

Unit: 1000 Drums

Year	Production
1996	27,900
1997	27,100
1998	27,600
1999	27,300
2000	25,500
2001	26,500
2002	27,400
2003	25,700
2004	26,900
2005	24,800
2006	25,200
2007	24,300
2008	21.100
2009	21,200

Reconditioned 210 Liter Steel Drum Production in United States
1996 – 2009 (estimated)

Unit: 1000 Drums

Year	Production
1996	34,300
1997	32,700
1998	33,400
1999	32,800
2000	31,900
2001	31,250
2002	31,600
2003	30,900
2004	31,400
2005	32,300
2006	31,800
2007	30,200
2008	30,100
2009	29,900

These figures beg the next question: What is the economic profile of today's industrial packaging reconditioning industry? Frankly, efforts to assign a specific gross revenue number to an industry that is overwhelmingly held in private hands can never be much more than an informed guess; but, that didn't stop me from trying. So, I have assigned an average price to the three primary containers – steel and plastic drums, and composite intermediate bulk containers - and developed the following estimates. The average price estimates for steel and plastic drums merge tight and open head units. The composite IBC estimate includes both 275-gallon and 330-gallon units. Additional industry revenues derived from the sale of fiber drums, scrap plastic and steel, off-sized units, and the brokering of new drums are not included.

Estimated Industry Gross Revenues for 2010 (North America)
Reconditioned 55-Gallon Steel and Plastic Drum & IBCs

Container	Production	Average Price (US $)	Average Revenue (US $)
Steel Drum	29,000,000	18 - 22.00	580,000,000
Plastic Drum	5,500,000	14 - 16.00	82,500,000
IBC (composite)	2,000,000	90 - 110.00	200,000,000
TOTAL			862,500,000

We see that average revenue derived from the sale of just the three primary industry containers is close to $900 million annually. Additional revenue from the sale of other containers (e.g. 15 gallon drums) and scrap could easily expand this figure to more than a billon dollars in annual sales.

With this economic snapshot of the modern reconditioning industry in mind, I will now examine emerging trends in ownership.

Like just about every other industry you can name, the industrial packaging reconditioning industry model is rapidly evolving. A quarter-century ago, the majority of RIPA and non-RIPA reconditioners were single plant, regional, family-owned businesses that focused on the steel drum and service, including the distribution of some new steel drums. There were only a few companies that integrated both the production of new steel drums and reconditioning – Meyer Steel Drum of Chicago of Myers Container of California are the two that quickly come to mind.

In response to the same market forces that drove the consolidation of its customers, the reconditioning industry began the process of consolidation and reformation about 20 years ago. Efforts to form a national reconditioning company started and stopped a few times, but the goal was finally realized by a group of reconditioners that sold to PalEx Corporation in 1998. Once PalEx Industrial Containers was in full-swing, reconditioners throughout North America were required to think about their businesses in a different light. A few years later, National Container Group was formed to focus on plastic drums and IBCs, and REPACS was incorporated. Other reconditioners began to add a second or third location or set-up business partnerships that facilitated multi-state operations.

Similar consolidation efforts were ongoing in the manufacturing industry. Greif emerged as a global industrial packaging force and now operates about 25 production plants in North America. Today, there are about 21 producers of new steel, plastic, or fiber drums, or intermediate bulk containers, operating approximately 81 plants. About 70% of these plants are operated by just five companies.

The world really began to turn about 5 years ago, when Mauser (then a division of J P Morgan Chase) purchased National Container Group and quickly began to buy reconditioning companies not only in North America, but around the globe. Mauser/National Container Group must be credited with creating a brand new business model that blends both new and reconditioned packagings together for customers so they can more easily match package to purpose while, at the same time, addressing issues of sustainability.

I suppose it is really no surprise that this new model has taken hold. Schutz has started to expand its presence in the reconditioning business and, about a year

ago, Container Life Cycle Management bought two RIPA members, followed recently by a blockbuster purchase of the largest reconditioner in Europe, pack2pack.

There is little doubt in my mind that this trend will continue, at least for awhile longer. In the meantime, it seems clear that more reconditioners will be purchased either by other reconditioners or, just as likely, companies whose primary business is today the production of new containers.

It is not within my power to predict whether the trends I have discussed are good or bad for the reconditioning industry, or even for this association. What is clear is this: the dark line that seemed to separate reconditioners from new manufacturers is now growing less bold. The two industries, once referred to by SEFA President Tony Schreiber as “two sides of the same coin”, now find themselves operating more closely than ever before. Technology has vastly improved the quality of all packagings, so customers can find value wherever they look, be it new or reconditioned.

Despite all these changes, no summary of the current state of the industry would be complete without reference to the great success of our trade association in representing the interests of its members. Economic hard times have had a severe impact on national trade groups, with many having to reduce the scope of their operations, merge into larger groups, or even shutdown. RIPA stands as a shining exception to these difficulties, for several reasons. First and foremost has been the continued, loyal support of members who understand the signal importance of RIPA and fund it at the necessary levels. Next, we have a really strong team with Larry and CL working constantly to ensure that you can focus on issues related to you business, not government. Finally, there is now and always has been an incredibly high level of participation in the work of the association by members – outstanding individuals who are willing to open their plants to competitors, contact or visit legislators and regulators, and serve in leadership positions in associations. I have worked in other organizations and I can tell you that this group is unique. It is more than a trade association; it is a powerful and effective team that serves its intended purpose, day after day.

The Future of the Reconditioning Industry

By Lawrence W. Bierlein

Despite all the talk today about “green” solutions to environmental problems, I do not think “sustainability” will have a significant dollar impact on the reconditioning industry, at least in the short term. Despite the fact that companies and governments all want to appear to be acting in a sustainable manner, this has not yet been translated into packaging selection and probably will not be for some time. Instead, I think the future of the reconditioning industry will be in offering necessary services – which are inherently environmentally beneficial when compared to recycling or the production of new containers - at attractive prices.

In my view, instead of spending too much of our limited time thinking about sustainability, our time would be better spent communicating more effectively with those industries who reluctantly receive uncleaned, emptied packaging -- packaging that ought to go to a reconditioner. For example, scrap, waste management, and incinerator organizations share an interest in not receiving uncleaned packaging. The reconditioning industry is their natural ally. Similarly, we should consider expanding our dialogue with emptiers, who have to choose between disposition options. We should find a way to make the reconditioning option more attractive.

As Nelson Neuman used to say when people talked about any packaging other than a 55-gallon steel drum, “I’m in the laundry business.” The filling industry will continue to experiment with novel packaging types, and some of those types will catch on. An example coming rapidly, in my view, is the flexible IBC. The reconditioning industry is in the best position to manage any emptied industrial packaging units, whether for reuse, which I think will become more common, or cleaning before disposal. I also would anticipate a greater value in using reconditioning facilities for portable tanks, which are just big asset tanks.

Besides having the equipment, people, and experience to run a “laundry” operation for any type of emptied packaging, the reconditioning industry has a dedicated trucking fleet. Because of this, emptiers and communities do not have to assemble and transport the emptied industrial packaging. The fleet puts our industry far ahead of recyclers of plastic bottles and newspapers. I think the association should become more engaged with the trucking industry, perhaps through a private truck organization or the American Trucking Associations.

We also should strengthen alliances with industries in similar situations, and often facing similar regulatory issues, such as the battery recycling industry, and the reusable commercial packaging industry like Walmart. They, too, have a system for collection, transport, and processing of a messy hazardous material.

As batteries become more varied, with greater use of lithium and other metals, the used battery industry's challenge is increasing, and their activity in Congress and at the State government level is constant. The same is true of other commercial packaging interests seeking to retrieve valuable packaging material for reuse. They are not competitors and, because we share many of the same problems, the reconditioning industry could benefit by working with them on common solutions.

RIPA is the right organization to represent reconditioners throughout all of the Western Hemisphere. It would mean more work for the association, including provision of information to members in Spanish and Portuguese as well as English. It also would entail meetings outside the United States. To make this worthwhile for reconditioners in those countries, I also think the association would need to provide full service in helping them with their own governments. This includes Canada. In my view, if non-U.S. members were to receive full service, then they would be willing pay full dues. Our association can be a force outside the U.S., because of the long history of this organization and the experience of the membership, and because of the stark reality that no one else is doing it. We cannot continue to claim to have responsibility in the Americas unless we do the job, and stop being perceived as a U.S.-only organization.

In responding to issues involving more types of packaging in more countries, our association should anticipate increasing membership. The current membership has been fortunate to have succeeded for decades with a skeleton staff in Washington. The staff needs to grow and to get good people means paying going Washington pay scales. These increased expenses need to be built into the future budget and planning.

Expanding membership alone is not likely to bring in enough dues to fund new operations. Although dues increases may be inevitable, I think the association will need to shift the focus of our meetings to attract people beyond reconditioner and supplier members. In the past, we had an effort to bring both fillers and emptiers into the organization or at least to the meetings. We also have motor carriers transporting IBCs as part of the collection system. The Board also should fund a portion of annual operating costs from higher meeting registration fees, and necessarily include subject matters that would attract a wider range of attendees.

Related to my view of increasing association activities and dues is an expectation that some independent operators may find themselves engaged in greater interaction with their State and local governments and their immediate neighbors rather than the federal government.

DOT has ceased to be the agency with whom the reconditioning industry should spend most of its time. The agency is no longer firmly controlled from the central office and, in my view, often takes positions that reflect political, not technical,

considerations. This is a severe problem for the long term because without clear regulatory boundaries, which can only be established and enforced by the central office, rules lose their meaning and enforcement becomes haphazard and unfair.

Unfortunately, the current Administration is distinctly anti-business. You already know Congress is ineffective and is unable to conduct responsible oversight over DOT or any agency for that matter. As a result of these management problems, I believe that all of the hazmat industry will be forced to turn more frequently to the courts for review of DOT actions in rulemaking, enforcement, and legislation. We should not fear court challenges. EPA and the Federal Motor Carrier Safety Administration are sued often, and it makes them more careful in what they do. They also try to have a rational foundation for their decisions, an element that is often missing from DOT. Thus, the Board in considering budgets needs to anticipate the need for lawsuits to take the offensive on government actions.

As a result of a decline in all industries' effective communication with DOT, I believe the reconditioning industry needs to revive ICCR, which is today not as aggressive as it once was. Once again, as ICCR did in the late 1980s and early 1990s, reconditioners throughout the world need to define their needs, and to go into the international regulatory world to achieve them. This is expensive and time-consuming because it means coordinating with representatives of other governments and industries, but it is the best way to ensure that regulation is designed in a manner that properly balances business and safety concerns.

In conclusion, I think the future is bright for the reconditioning industry. This group includes some of the most clever, practical, and successful minds in business today. I am confident that, regardless of the challenges of the future, our members will find the way to turn them into opportunities. It will take new thinking at the Board level, some restructuring, and some change in perspective, but these events can be turned to the benefit of reconditioning.