



## Analysis: Gadget gold: "urban miners" scrap over e-waste

By Jennifer Robin Raj and Arnika Thakur

November 12, 2010

**Better technology and tougher environmental rules have reduced the lifecycle of many electronic gadgets -- and spawned an e-scrap industry that is expected to treble to around \$15 billion in the next five years.**

For the bigger listed waste management firms -- Waste Management Inc, Waste Connections Inc, Republic Services Inc and IESI-BFC Ltd -- e-waste is still just a fraction of their solid waste portfolio.

But many are scrapping to grow in the business.

"It's a small portion of business, but could potentially grow over time," said Morningstar analyst Bradley Meeks.

Waste Management, the largest U.S. trash hauler, operates 200 e-Cycling collection depots and aims to establish drop-off locations across the nation. Of the 8 e-cycling facilities the firm operates, three were bought in through acquisitions.

"We're looking to actively grow this business and we continue to evaluate both opportunities on the organic and the acquisition front," said Matt Coz, Waste Management's vice president of recycling services and marketing.

At a time when China -- which produces over 90 percent of the world's output of rare earths, used in lasers, superconductors, computers and much more -- has played hardball over exports, there has been renewed interest in extracting precious metals from electronic scrap -- so-called urban mining.

Metals recovered from e-waste range from gold, silver, copper and aluminum to rarer metals like platinum, gallium, indium and palladium.

The most precious metals are found in CPUs, mobile phones and servers, said John Shegerian, CEO of Electronic Recyclers International (ERI), one the largest private e-cyclers.

"As the amount of rare earth declines and prices are high for traditional platinum metals, there's probably going to be a stronger desire to recycle things like computers and motherboards to get those metals," said Canaccord Genuity analyst Eric Glover.

"Longer term, the supply of these metals will encourage additional recycling," he added.

According to the U.S. Environmental Protection Agency (EPA), e-waste is the fastest growing commodity in the waste stream, with a growth rate five times that of other parts of the business such as industrial waste.

Waste Management recovered 12 million pounds of e-waste in 2009 -- a tiny amount when set against the 125 million tons of solid waste it handled, 8.5 million tons of which was recycled.

"The way we look at it is how quickly the waste stream is growing and how much more material will be diverted each year from the electronic waste stream," said Coz.

Most pure-play e-cyclers are privately held, noted Glover at Canaccord, and some are not profitable -- making them ripe acquisition targets.

Morningstar's Meeks said these small players could make decent tuck-in acquisitions for the larger solid waste management firms, as "e-waste is a nice diversifier and can be lucrative."

"Some of the biggest waste companies in America have offered to buy us already and we said: 'Thank you, but no thank you'," said Shegerian at ERI, which recycles over 170 million pounds a year and expects its growth to more than double to 50 percent next year.

#### WORKING TOGETHER

As e-cycling takes hold, manufacturers are buying into the concept of extended producer responsibility, says Larry Fisher, a research director at industry consultant ABI, and are engineering products to be more easily reclaimed or recycled at end-of-life.

Original equipment manufacturers (OEMs) are increasingly partnering waste management firms to handle defunct gadgets.

Waste Management has such partnerships with Sony and LG Electronics, while ERI deals with Panasonic, Toshiba, Haier, Samsung and electronics retailer Best Buy.

Others, like Republic Services, are looking to forge closer ties with local municipalities for collecting e-waste.

The burgeoning middle classes in fast-growth China and India mean there are more computers and mobiles, adding to e-cycling growth, according to Canaccord Genuity.

ERI has an agreement with [South Korea](#)'s copper smelter LS Nikko to ship e-waste copper to the Korean firm. ERI is also in talks to expand into China and India.

Recyclers are also looking to climb the value chain by offering services such as lifecycle IT management and secure data destruction, Canaccord analyst Eric Prouty wrote in a note.

"Now that we feel like we've made progress on the infrastructure for end-of-life electronics, we're looking very seriously at the IT asset disposition side of the business," said Waste Management's Coz.

Original URL: <http://www.reuters.com/article/idUSTRE6AB3W120101112>