



August 7, 2019

Director Smithline
California Department of Resources Recycling and Recovery
1001 I Street
Sacramento, CA 95814

Re: MRC Response to Stakeholder Comments on 2018 Annual Report

Dear, Director Smithline:

On July 1, 2019, the Mattress Recycling Council California, LLC (MRC) submitted to CalRecycle its 2018 Annual Report (the Report), which provided extensive detailed information required by Cal. Pub. Res. Code § 42990.1 regarding the 2018 accomplishments of the California Mattress Recycling Program (the Program) administered by MRC. CalRecycle is in the process of reviewing the Report and public comments to determine whether to approve, conditionally approve or disapprove that document.

To assist CalRecycle with its review, this letter addresses some of the public comments in the following areas:

I. Renovation

One renovator, the Mattress Recycling Advisory Committee, and the California Product Stewardship Council claim that the Program is harming renovators.

The facts, however, show otherwise:

- California exceeded the renovated mattresses goal that CalRecycle set for 2018 by nearly 51%. The renovator goal that CalRecycle set for the year was 150,000 units. Corrected data that renovators reported to CalRecycle shows that 226,068 units were renovated during the period, greatly exceeding the state's renovation goal.
- Likewise, recyclers in MRC's network report that the number of units and quantities of mattress materials (e.g., foam, etc.) that they sent to renovators increased by 15.7% between 2017 and 2018, from 2,787,943 pounds to 3,225,114 pounds. These numbers demonstrate growth in renovator volume.
- In 2018, MRC actively worked with renovators. For example:
 - MRC added several renovators to its no cost drop off network and listed those companies on its mattress collection locator. Most of MRC's renovator collection sites report that these arrangements provided a substantial source of used mattresses to renovators, which they may in turn renovate.
 - When renovators collect units through MRC's no cost drop off network but opt not to renovate them, MRC pays the renovator to load the unwanted units onto MRC-provided trailers, a third party to transport them to a recycler and for an MRC-contracted recycler to dismantle them. As a result, the Program benefits renovators by supplying them with substantial quantities of units, providing compensation that they would not otherwise earn and relieves them of disposal costs. MRC provided such compensation to renovators for over 12,000 rejected units in 2018 and over 32,000 to date.

- MRC regularly communicates with renovators and entities that participate in the new Commercial Volume Pick-up (CVP) collection channel so that the Program does not undermine existing relationships between renovators and those entities.

The renovator also complains that the compensation MRC pays recyclers to dismantle units discourages them from selling whole mattresses to renovators. But this argument ignores the fact that a recycler can easily earn a profit by selling a whole unit it receives without incurring any of the labor, power costs, transportation, and other processing and overhead costs required to dismantle the same unit.

To the extent that some renovators are losing business today, this is likely due to the following supply chain and market trends that have occurred independently of the Program and MRC:

1. Brick-and-Mortar Stores Represent a Declining Source for Discarded Units as the Boxed Bedding Segment Grows

Discarded units that brick-and-mortar retailers picked up when they delivered new mattresses to customers were traditionally a large source of used mattresses for renovators. With the significant growth in online mattress sales (which some observers estimate account for 10-20% of retail sales today), the retail mattress market has radically changed. One consequence has been that renovators can no longer source the same volume of mattresses from brick-and-mortar retailers as they once did. Neither MRC nor the Program influenced these significant changes in the retail market for mattresses.

2. Renovators are Likely Losing Market Share to Low-Cost Boxed Bedding

The rapid growth of the boxed bed segment is also likely hurting renovators financially. Boxed beds, many of which are low-priced imports from China and elsewhere sold conveniently online, compete head-to-head with renovated beds, which also tend to be sold at low price points. Just as new mattresses sold through traditional brick-and-mortar stores are losing significant market share to internet sales of low-priced boxed beds, it is logical that sales of renovated units – which also tend to be sold through brick-and-mortar establishments – have also been hurt by boxed beds. Finally, many consumers likely just prefer to buy a new, low-cost mattress online over purchasing a renovated mattress.

3. Hotels Committed to Recycling Before the Program Launched

Hotels were another large source for used mattresses consumed by renovators. Once again, factors that have nothing to do with MRC or the Program have diverted this product flow away from renovation. For example, before MRC launched the Program, a large international hotel brand adopted a corporate policy requiring both that its old mattresses be recycled and that its vendors certify that the discarded mattresses were actually dismantled and recycled. With the increase in “green” competition within the hospitality sector, in which hotel brands seek to attract new customers by adopting sustainability practices, other hotel brands are expected to follow suit. Since this trend began before the Program launched, its impact on renovators’ supply of raw materials is independent of any actions by MRC.

II. Rural Definition

One stakeholder expresses concerns with how MRC has identified which counties are “rural.” Given that California law provides little guidance on how rural counties should be defined, MRC sought the Rural Counties’ Environmental Services Joint Powers Authority’s (ESJPA) perspective on this topic. The ESJPA recommended that MRC use the definition provided in Cal. Pub. Res. Code § 40184, which defines a rural county as one that disposes of less than 200,000 tons of waste annually. MRC values the ESJPA’s input and accepted its recommendation.

The stakeholder points out that this definition may also have shortcomings because one county might be defined as rural one year but not the next, making year-over-year comparisons difficult. MRC acknowledges those challenges and remains committed to working with the ESJPA and other stakeholders to make certain that we provide meaningful year-over-year analysis of MRC’s performance in these counties.

III. Abandoned Mattress Bales and Other Units Were Processed in 2019, not 2018.

A stakeholder submitted comments with regard to MRC's 2020 budget (which was also submitted to CalRecycle on July 1, 2019) regarding a dispute between MRC and a former contracted recycler that is in arbitration and will be resolved in due course. On July 17, 2019, MRC separately responded to those comments with regard to the 2020 budget.

Although those comments were not submitted with respect to the Report, MRC nevertheless takes this opportunity to clarify certain points for the record in case those comments have caused confusion. Specifically, that stakeholder referred to significant quantities of baled mattresses and loose mattresses and box springs that the recycler had left behind in various leased facilities throughout California. Those units are being dismantled in 2019 by MRC-contracted recyclers, and were not dismantled in 2018. As a result, the treatment of these abandoned units in 2019 has no impact on the 2018 disposition data that MRC reported in the Report.

IV. Diversion Rate

MRC provides data regarding the number of units available for collection and the number of units MRC collects on pages 62-63 of 2018 California annual report submitted MRC.

V. Research and Transparency

MRC has developed a robust research and market development program. MRC provided links to completed research studies discussed in the Annual Report and plans to continue sharing this type of information. MRC has also provided specific studies to stakeholders upon request.

Please contact me if you have any questions.

Sincerely,

Ryan Trainer



cc: Cynthia Dunn, Senior Environmental Scientist Supervisor, CalRecycle
Alyson Williams, Senior Environmental Scientist Supervisor, CalRecycle
Heather Beckner, Environmental Specialist, CalRecycle
Nikki Castagneto, Environmental Scientist, Extended Producer Responsibility Unit, CalRecycle
Clark Williams, Environmental Program Manager II, CalRecycle