



House Business & Labor Committee
In Support of SB 693-A
May 4, 2015

Good morning Chair Holvey and members of the House Business & Labor Committee. My name is Jennifer Hudson, and I am the Associate Counsel and Governmental and Public Affairs Manager for Schnitzer Steel Industries. Founded in 1906, Schnitzer is headquartered in Portland, Oregon. We have three business divisions – metals recycling, retail auto parts sales and finished steel manufacturing – with locations across North America in 14 states, Puerto Rico and Western Canada.

Today I'm here to talk to you specifically about our metals recycling business. We run scrap yards in Portland, Bend, White City and Eugene. We purchase scrap metal, process that metal and then sell it to steel mills and smelters where it is recycled into new products. Current law allows for payment of nonferrous metals by paper check only. I'm asking for your support for Senate Bill 693-A which would allow as an additional option a stored value device, commonly known as a debit card, as a second legal/acceptable means of payment.

BACKGROUND

How did the legislature come to regulate the manner in which a scrap yard may pay its customers for metal?

I would like to provide you with a quick background – in 2009 the Legislature responded to what was then an all too common problem – Metal Theft. Specifically, theft of the more valuable nonferrous metals: copper, aluminum, brass, lead, nickel, and zinc, with copper being the primary target of criminals looking to make a quick buck by selling stolen copper to scrap dealers for cash. It is not uncommon to have heard stories of metal thieves ripping out utility wires or stealing from construction sites – it's a real problem. The legislative compromise in 2009 resulted in a bill that prohibits cash purchases of nonferrous metals by scrap dealers like Schnitzer. Schnitzer supports the existing cash prohibition and has opposed recent attempts to reintroduce cash into the business transactions related to nonferrous scrap metal sales.

Current law allows for payment for nonferrous metal by paper check only. Paper checks must be mailed to the customer three business days after the transaction. We have no problem with the spirit of the law as it stands, but technology has changed significantly since 2009 and this law with its requirement that non-cash payments be limited to paper checks is somewhat outdated.

SB 693-A REQUESTED CHANGES

We would like to take advantage of technological advances in banking to meet our customers' needs by having the option to pay for nonferrous metals using stored value devices/debit cards. Under the provisions of SB 693-A, at the time of a customer transaction a customer would receive a registered debit card. At the time of transaction the card would be "empty." The card would fund with the payment three days later.

SB 693 –A AS AMENDED IN SENATE COMMITTEE

Current statute is very specific. It dictates that a paper check payment for nonferrous metal must be drawn on an account held by the scrap dealer at a "financial institution." Financial institutions are defined as banks and credit unions. As drafted, SB 693 would have similarly limited debit cards to being drawn on an account held by the scrap dealer at a financial institution. We consulted three banks with whom we do business, none of whom currently provide payment by debit card as a service. Our banks referred us to a licensed "money transmitter" whose main business is payment by debit card. Money transmitters are licensed and regulated by the Department of Consumer and Business Affairs in Oregon and the federal Consumer Fraud Protection Bureau. We developed amendment in consultation with DCBS to allow debit cards to be drawn from a money transmitter who will temporarily hold the scrap dealer's funds for the specific purpose of issuing debit cards as a payment for nonferrous metal purchases. The Senate Business & Transportation Committee adopted that amendment and the bill passed unanimously.

CONCLUSION

Under the provisions of SB 693-A statutory provisions will be updated to offer another non-cash alternative to paper checks. This bill will not change any other existing metal theft statutory provisions – all the recordkeeping will remain in place and the debit card will be populated with the funds on the third business day after the original transaction.

Thank you for the opportunity to outline the narrow change to the existing statute that we are proposing in SB 693-A. To be clear we are requesting the change to keep up with the times while preserving our ability to work together with law enforcement to combat metal theft. Thank you for your consideration – I'm happy to answer any questions.