

# RecyclingToday

A photograph of three men in business suits standing in front of a large pile of scrap metal. The man on the left is wearing a dark blue suit and a patterned tie. The man in the middle has a mustache and is wearing a dark suit and a patterned tie. The man on the right is wearing a grey suit and a dark tie. They are all smiling. The background is a large pile of scrap metal, and a wooden structure is visible on the right side of the image.

## NONFERROUS NICHE

Utah Metal Works blends market experience with strategic location to carve out a solid position in the Mountain region.

INSIDE:  
Environmental Compliance

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UTAH METAL WORKS

# CARVING A NONFERROUS NICHE

*Amid a host of scrap processing competitors in Salt Lake City, Utah Metal Works maintains a lucrative position in nonferrous metals.*

*By John C. Bruening*

The concept of a business owned and operated by a family is certainly not foreign to the scrap metal industry. Part of what makes Utah Metal Works' story unique is that it began under the ownership of one family and exists today under the ownership of another. Its success comes not from conquering a market region, but from carving a position within that region.

Originally founded by Hymie Goldman in the late 1930s, Utah Metal Works had more to do with the manufacture of electrotype and linotype printing plates and solder materials than with scrap metal trade.

"Hymie was a marvelous man," according to Donald Lewon, president of Utah Metal Works. "I really liked him, and I worked for him in the summers and on Saturdays when I was in college."

When Goldman died suddenly of a heart attack in 1955, Lewon's father, Harry Lewon, and Harry's two broth-

ers, Rubin and Louis, bought the business from Goldman's estate. The Lewon brothers folded the printing plate business, and redirected all of the company's resources to the scrap end of the business. Shortly after the transaction, Utah Metal Works moved to its current location on Everett Avenue.

After graduating from the University of Utah in 1958, Don Lewon spent a couple years in other jobs throughout the West Coast and the Mountain region, then joined his father in 1960.

In the late 1960s, Harry hired Leonard Pollock to handle the operations side of the business. Don recalls that Pollock's presence helped smooth some of the rough spots between the two generations of Lewons.

"Father-son combinations can be very difficult," says Don, 58. "I hope I'm dealing with it with a little bit more openness than my dad did. I have a whole different relationship with my two sons than my dad had with me. I

always wanted new equipment and things for the business, but he insisted that we use the resources on hand."

Pollock left in 1985, three years before Don's son, Mark, came on board in a vice president capacity. Mark's younger brother, Chris, assumed a similar position at the company in 1992. **NICHE MARKETS.** Today, Utah Metal Works processes 10,000 tons of nonferrous metals annually, in both wirechopping and baling operations. The company draws primarily from post-industrial sources as well as smaller scrap dealers.

In addition to the nonferrous processing, the company is also involved in a small amount of ferrous processing—about 1,500 to 2,000 tons annually—also from industrial accounts.

In an industry where nonferrous pro-



*Utah Metal Works generates a large volume of scrap with a small crew.*



*Nonferrous scrap is prepared for trade with*





Utah Metal Works is planning an expansion of its six-acre yard.

cessing is often considered a by-product of ferrous processing, Utah Metal Works focuses on the nonferrous material as a method of niche marketing.

"You have to look at some of the other players in the business in Salt Lake City," says Mark, noting the two shredders operated by nearby Atlas Steel. "It doesn't make sense to try to compete with them because you can't. A couple of the other companies — like Utah Barrels — have some good accounts where they specialize in some of the heavier grades of iron. Metro Steel Recyclers has a big grinding business, so they do some other iron as well. Wasatch Metal & Salvage has a good iron business, so it doesn't make sense for everybody to try to compete in that."

Rather than fight for each other's busi-

ness, processors in Salt Lake City instead tend to carve out their own portion of the market pie.

"Each of the different companies kind of fills their own niche," says Chris. "We've always had a more of an industrial nonferrous base. That's been our niche."

Materials come into Utah Metal Works' yard from what Chris refers to as the intermountain area — Idaho, Montana, Wyoming and Southwestern Colorado. This broad market approach is possible "not so much because commodity prices are so good right now, but because we have always had the processing equipment to be able to handle large volumes," he says.

One factor that increases Utah Metal Works' market strength is the central location of Salt Lake City, Mark points out. "Salt Lake City is a really central distribution center for the whole intermountain area. It's a huge area, and people will bring scrap down here, because they have to come down here anyway to pick up some equipment or some other thing that

they need to take back with them."

**PLANNING.** Utah Metal Works' yard spans a little more than six acres, five-and-a-half of which are concrete. Shipping and receiving operations are handled at two warehouses. Baling operations are handled by a C&M two-ram, five-speed unit, and wirechopping operations are based on a Triple S Dynamics design.

With the recent acquisition of two additional acres, there are plans for expansion of operations in the future, says Don, but only if that expansion can be managed according to an organized, systematic strategy rather than helter-skelter approach.

"One of the things that we've found that we're guilty of — and I think most people in the industry are prone to this — is that you grow a little here, add on something there, and you don't think things through for the long term and you wind up jamming everything together piecemeal," notes Don. "Right



Wirechopping plays a vital role in Utah Metal Works operations.

now, we're stepping back and looking at our operation and seeing what we want to do in the next 10 years — I don't think you can really look much further than that — and we're going to make some changes and lay things out differently from what we have now. We have some new room to move some equipment. We're going to get rid of the clutter."

**GROWTH.** Utah Metal Works has been the beneficiary of a healthy regional scrap market — a direct reflection of



with dealers along the West Coast and in the Midwest



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the strong ferrous and nonferrous markets that have swept virtually every other region of the U.S.

"We're seeing high prices, which obviously brings out volumes of material," says Don. "In this area that we service, business has been growing. For some of the people that we did business with in the past, volumes aren't as good as they used to be. But new businesses have come in and certainly made up for it. We're very optimistic about this area."

But there is much more to the scrap market than just the immediate region, he maintains. The expansion of the market playing field to worldwide proportions will require changes in the way that market is navigated.

"I believe that because we are globally oriented now in scrap pricing, you're going to see sharper turns upward than we've had in the past, and maybe deeper drops," he says. "And that means managing your business

more closely than you've ever done before. The days of hanging onto scrap material for the next market are in the past. You don't want to do that, because you're factoring in a variety of other costs. You can't do that anymore and expect to come out ahead. You have to keep turning your inventory as much as you can, every month, regardless."

**COMPLIANCE.** Contributing to the challenges inherent in global commodity markets is the regulatory compliance game. While some processors may choose to resist the wave, no matter how large it is growing or how fast it is coming, Lewon is ready to accept regulatory compliance as a reality that is here to stay.

"Regulation is part of our business," he says. "We know that. Whether it be OSHA, EPA or whoever else, regulators are here. I don't care whether we have Republicans or Democrats in Congress or the White House, we've got it and we have to live with it. If you think

that because we have a Republican Congress for the first time in 40 years that it will make a difference, forget it...It's an unfortunate reality of small businesses like ours, but whatever the large corporation has to do with regulation, so do we. It's expensive and it's time consuming, but it has to be factored into your cost of operation. If you don't, you'll pay for it."

Unfortunately, Utah Metal Works had to learn the hard way about the differences between the letter and the spirit of regulatory compliance. An OSHA inspector at their yard found all workers equipped with proper hearing protection, but the company was found out of compliance because it had no written program for hearing protection. In the end though, Lewon, looked at the episode as a learning experience.

"That can wake you up," he says. "You can look out at your yard and say, 'gee, we're doing everything so well.' We discovered in this case that, what-



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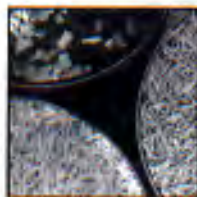


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ever we were doing, even though we were doing it correctly, we needed to have it in writing."

But an issue like hearing protection is just the tip of the iceberg, by Lewon's estimation. The recycling industry is moving toward greater emphasis on worker safety and worker protection—an issue that should not be subject to competitive boundaries.

"Frankly, we encourage it," he says. "I think if something negative happens in our industry, it's a black eye for everybody. I know that if someone is hurt at our competitors' facilities, that is a concern for us. We just can't operate in isolation. In years gone by, we used to just operate in a situation where nobody knew anything about us. But those days are gone."

**POLITICS.** Unfortunately, much of the scrutiny focused on scrap processing and recycling in recent years is by people who may not be the most knowledgeable about the industry, Don observes.

"Legislators are very concerned about recycling and its impact and what it's doing and what it's not doing," he notes. "They begin to pass laws without even consulting us. They've begun to do that here in Utah, so we've formed a Utah Recyclers Association, and we have our own lobbyist to watch out for bills that are coming up so that we can have our own input."

One of his concerns stems from legislators looking to recycling as a means to reduce landfill crowding. This view has spurred regulations requiring processors to provide a detailed inventory of materials handled and processed.

"(They) require us to report back to them where our material comes from, where it goes, and try to gauge numbers as to how we are impacting the landfills. Really, when you work those numbers through, it really doesn't tell them anything."

Lewon favors a national bottle bill, if for no other reason than for the sake of

uniform management and enforcement.

"I think it's better than each state doing it," he says. "California has their program. They have to police it to see to it that cans from Utah or Nevada don't go into it. If you're going to have a bottle bill I would rather see it done nationally than state-by-state."

In addition, the state-by-state approach makes interstate trade confusing, he adds. "California can pay a \$1.50 or \$1.60 a pound for aluminum cans today. All we can pay is whatever the aluminum scrap price is."

**TRADE.** Both Mark and Chris earned an apprenticeship of sorts at Sims-LMC, longtime processors and traders in the international scrap market, prior to joining their father at Utah Metal Works. While he jokingly refers to his and his brother's tenure at Sims-LMC as "the farm program," Chris admits that the experience provided "an excellent training ground" for both brothers.

One valuable skill learned from Sims-

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LMC was trade expertise. Although Utah Metal Works is landlocked, both brothers have managed to develop a lucrative trade strategy nonetheless.

"(Trade) has always been a strong point for this location," says Chris, "because we were close to those West Coast markets going over to the Pacific Rim, yet we were very close to the Midwest. This gives us a real opportunity to avoid being pinned down to one location. We try to exploit that opportunity as much as possible. This last year has been a good example. When the markets are colder in the Pacific Rim, we still have some outlets in the Midwest, and don't have as much of a freight factor to contend with as the West Coast did in trying to move their scrap."

Mark explains that Utah Metal Works' trade is primarily with brokers, although there is some direct trade — as much as 25 percent — with Japan.

One obstacle to trading internationally from a land-locked location is the

difficulty in procuring shipping containers, Mark notes. "Another thing that we're discovering is that when you're farther inland, it takes longer to get to the port, and the volume of business being done in this country is such that we can't get containers on ships because the ships are already booked up."

**PHILOSOPHY.** Chris maintains that a company and its level of productivity are only as good as its people. "We do a considerable volume, considering the 29 people who are here," he says. "We really rely on the people we have working here. We've had a very healthy, productive relationship between us as managers and our employees."

Efficiency is also key, says Mark, whose primary goal is to "run smarter and handle material less." To that effect, he is working on maximizing and optimizing pre-process sorting.

The greater goal of increased efficiency is "to make a quality product at a lower cost per pound," says Don.

"That's the secret of any business. It isn't gross sales. Whether you do \$5 million or \$25 million per year isn't the point. The point is, what is your bottom line after all of that is done? That's a matter of knowing what your volumes are that you're putting through your plant, and knowing what it takes to make money on that volume."

But even greater than all of these objectives is Don's desire to derive a sense of value and enjoyment from the work that he and his sons are doing.

"I really do like to have fun in this business," he says. "The pressures do become great when you see a market drop, and you realize that the assets of your company drop accordingly. At the end of the day, you might be tired, but I like to be able to have a few laughs. My father would never have allowed that, but I think it's good." ■

*The author is editor of Recycling Today.*

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