

ENVIRONMENT:

Companies Go Green and Find That It Pays

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November 5, 2008 -- Nearly half of U.S. executives polled recently said their companies were somewhat concerned with the environment. But, more telling in the survey by Korn/Ferry International, 70 percent thought "green" concerns will take a back seat to profit in times of economic uncertainty.

But what if going green could produce green of another kind?

Brewing giant Anheuser-Busch recycles waste instead of trashing it because it's cheaper than hauling it to the dump.

And the path some of its recycling takes shows how the process can benefit multiple businesses, as plastic that starts out sealing kegs of beer ends up in sturdy, environmentally friendly railroad ties.

"We recycle 99.8 percent of everything we use," said Steve Ghiglieri, plant director for Anheuser-Busch's brewery in Houston.

The company would have to pay huge sums to have all its waste hauled away, and that would jack up the price of a six-pack.

After the brewing process is complete, Anheuser-Busch sells its spent grain husks. Buyers recycle them into cattle feed. Used yeast is sold to vinegar producers.

Anheuser-Busch pays others to take away its used beechwood chips, which are layered on the bottom of stainless-steel tanks to help age the beer. Recyclers turn the chips into compost and mulch.

"It only takes a small amount to pay for them to take it. There's no way we could afford to put it all in a landfill anyway," Ghiglieri said.

Aluminum is perhaps the brewer's most visible recyclable product. The company recycles 27 billion cans annually, 25 percent more than it produces.

That doesn't mean it reclaims all its empty Budweiser cans. But using collection containers nationwide, it gathers aluminum cans at venues big and small -- from major sports events to public schools.

Phil Jost, the Houston brewery's environmental, health and safety manager, said the goal is to reclaim every scrap possible.

And that got some of the company's plastic working on the railroad.

Houston-based recycling company Avangard Innovative is the middleman. It recently suggested recycling the little plastic caps on every keg of beer that gets tapped. The Houston plant reclaims 40 pounds of

those plastic caps every day, in addition to other plastic, from crates to stretch wrap used to seal pallets of product.

Avangard pays Anheuser-Busch for the caps and other plastic waste, adding it to the mountain of other people's castoffs Avangard collects and resells, Chief Executive Rick Perez said. The plastic pile includes milk jugs, bags and polyethylene shipping foam.

Perez contended that executives are too quick to assume that being environmentally conscious will hurt their bottom lines.

"We pay for this stuff," he said of his small margin, big volume business. Last year the private company raked in \$152 million in revenue. Perez declined to disclose profits.

Avangard buys from sources as diverse as computer maker Hewlett-Packard and grocer H-E-B, selling their plastic trash to clients who recycle it into carpet, paint cans, garbage bags, wood-alternative decking, orange traffic cones -- and railroad ties.

Among Avangard's plastic scrap clients is TieTek, a Texas company that makes 85 percent-recycled -- and completely wood-free -- railroad ties. It has sold more than a million of them to Union Pacific.

TieTek founder Henry Sullivan worked in plastics for years at Shell Oil Co. and Huntsman Corp. A self-professed "aging hippie" with a ponytail down to his waist, Sullivan said the environment isn't a buzzword, it's a business.

"You need a real product, a real market and real people buying it for sound business reasons," Sullivan said, adding it takes an understanding along the entire supply-and-demand chain to make environmentalism profitable.

"I'm not talking enormous profits, but sustainable margins."

In the first six months of 2008, the company -- which is part of North American Technologies Group -- earned \$446,283 on revenue of \$17 million.

Union Pacific buys most of TieTek's crossties, but they're also found on commuter rails in Portland, Ore., Washington, D.C., and San Francisco as well as industrial rail depots around the country.

Sullivan said he was attracted to the railroad industry because shipping freight by train is more energy-efficient than long-haul trucking. Even so, railroads use millions of thick wooden crossties to keep their rails together. In the past, that required chopping down old-growth hardwoods and soaking the wooden ties in creosote, which the Environmental Protection Agency considers a possible human carcinogen, to ward off bugs and fungus.

TieTek uses old plastic bottles and worn out tires to create a railroad tie that looks like a traditional one but has an estimated life span of 40 years.

Wooden ties in the humid South can break down after five to 10 years. In Northeastern steel mills where they are battered by moisture and ice, a wooden tie can wear out in two years.

One mile of track contains 3,300 wooden crossties, which Sullivan said take 750 trees to make. TieTek's method takes 2 million plastic bottles, 9 million plastic bags and 10,000 scrap vehicle tires to make the same number.

Railroads replace about 20 million ties a year, according to the Railway Tie Association. That's a big market, but at just over \$100 each, TieTek's crossties are twice as expensive as wooden ones. That means bigger capital expenditures on the front end, though Sullivan pointed out the crossties last so much longer that they more than pay for themselves in the end.

Even so, for a railroad worried about making repairs within its given budget and giving the highest possible returns to shareholders in the next quarter, recycled ties can be a tough sell.

"It's taken a very patient investor base to last long enough to get to where we are. Others have tried and given up," he said.