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Montana's junked automobiles: a political and economical analysis

Ronald Irving Codron

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MONTANA'S JUNKED AUTOMOBILES:
A POLITICAL AND ECONOMICAL ANALYSIS

By
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B. A. University of Auburn, 1967

Presented in partial fulfillment of the requirements for the degree of
Master of Business Administration

UNIVERSITY OF MONTANA

1972

Approved by:

[Signature]
Chairman, Board of Examiners

[Signature]
Dean, Graduate School

Date
June 2, 1972

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ACKNOWLEDGMENTS

It is a very easy thing to overlook one's responsibility when there is no timetable to meet. This is the situation one is faced with upon completion of course-work activities. But the professional paper will not write itself; the student must do it. This takes either self-discipline or a gentle nudge or both. My thanks go to Dr. Bernard Bowlen, my faculty advisor, committee chairman and friend for his incessant "gentle nudges."

I extend further appreciation to Mr. Don Pizzini, City Environmental Sanitarian, and Mr. Terrence Carmody, State Environmental Sanitarian, for the time they gave for extensive interviews.
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CHAPTER I

INTRODUCTION

Purpose and Contribution of the Study

The primary purpose of this study was to constructively analyze the financial provisions of Senate Bill #69 to determine whether they were sufficient to establish the goals of the Bill. If it was found that the provisions were compatible with the goals of the Bill, it should be explained why this Bill was not passed. The conclusions of this study will serve those involved with this Bill as a guide in initiating the junked automobile disposal program. Also it will act as an aid for other rural states that are confronted by a similar problem.

Research Limitations

Not all of the financial provisions of Senate Bill #69 have been evaluated. This study has been purposely limited to an analysis of the revenue which, after being collected by the county, would ultimately reach the state level to be used for crushing and shipping of junk autos to a recycling plant. Provisions for funds to be allocated to the county for collection of junk and abandoned autos and for establishment, administration and maintenance of motor vehicle graveyards were evaluated.

Further limitations have been imposed for purposes of simplicity and accuracy of study. The Bill which applies to the entire state for
the most part has been evaluated in terms of its effect upon Cascade County.

**Research Procedures**

Primary research included personal interviews as well as long distance telephone conversations with qualified individuals. Other primary research came as a result of direct correspondence and research into existing county records. Secondary research consisted of articles in business periodicals, newspapers articles and magazine articles.
CHAPTER II

NATIONAL, STATE AND COUNTY PROBLEM

About seven million automobiles are junked or abandoned in the United States each year.\(^1\) As the number of automobiles sold and registered each year in the United States is in direct relationship with population growth, the number of junk cars increases proportionately each year. This problem is compounded by the fact that a great many of this number never reach the reclamation process; thus they remain an eyesore in countless auto graveyards throughout the nation or are simply abandoned in other ways.

The scrap disposal situation has become a nationwide problem. In 1969, a representative of Union Carbide Corporation estimated that from twenty to thirty million auto corpses were strewn about the nation. Other references put the figure from thirty to forty million.\(^2\) In 1970, the figure was calculated at forty million and estimated to be increasing by an annual rate of seven million motor vehicles which are scrapped each year, not to mention others which are abandoned in other manners,

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With about 110 million autos currently in use, with from nine to ten million new vehicles being produced each year, and with a predictable life span of less than ten years per auto, the handling and disposal of motor vehicles once junked or abandoned is a problem assuming gigantic proportions. But why do these vehicles not find their way back through the scrap steel making process? Obviously, if recycling were a profitable operation, the nation would not have an abandoned car problem, as logically scrap processors or auto wreckers would then be willing to pay the owner for the vehicles rather than charge him for towing services. But this is not the case. The Los Angeles Times estimated in 1966 that fewer than half of the more than seven million vehicles which are retired from the roads each year actually are returned through the scrap process back into steel furnaces. The problem is an ever increasing one as the number of motor vehicles removed from operation each year has increased from approximately 3.6 million in 1958 to 5.3 million in 1963 and above 7 million in 1971. According to the Automobile Manufacturers Association, the average age of automobiles removed from the highways each year is a stable figure. Approximately fifty per cent of a given year’s model will have been removed from the roads after a period of about ten

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4 Pekkala, p. 19.

5 Barth and Schnell, p. 32.

6 Ibid.

7 Ibid., p. 33.
and one-half years. Since production and sales of new cars grow each year and junked and abandoned autos are partly a function of total automobile population, there is no end in sight to the annually increasing problem. According to one analysis, the factors which make auto disposal a problem can be isolated into three categories: 1. the annual increase in automobile production and consumption, 2. the changes in the steel making techniques in the United States, and 3. the quality of the scrap extracted from junked and abandoned autos which directly affects the scrap selling price. As the first consideration has been discussed above, the following paragraphs will be limited to the final two categories.

The most crucial of the factors which create the salvage problem is the revolutionary changes in steel making methods. Open hearth furnaces were the conventional method used until recently in making steel. The advent of "basic oxygen furnaces" (BOF) in 1954 accounts for over fifty per cent of all production of steel in this country today. BOF can produce a batch of steel in one sixth the time an open hearth furnace requires and due to this time savings, two to eight dollars cost per ton is saved. The open hearths could take up to sixty per cent scrap in content and turn it into steel with few impurities. The BOF, although a more efficient method overall, reduced by fifty per cent the capability for using scrap to a maximum allowable of thirty per cent. Thus, the demand for scrap has been decreased substantially. Steel producers now rely not on scrap but on pig iron and iron ore pellets. It has become economically unfeasible for foundries to pay for scrap for which they have a diminishing need.

\[\text{\textsuperscript{8}}\text{Ibid.}\]
Economical Problem

The final disposal factor concerns the quality of scrap extracted from automobile hulks. Scrap steel is classified as home scrap, industrial scrap and obsolete scrap, in order of demand. All automobiles are classified as obsolete scrap, and are rated as the least desirable of the obsolete scrap because it consists of a variety of nonmetallic impurities which contaminate the manufacture of steel. Some of these impurities are plastic, rubber, glass, and wood. Other metallic impurities such as copper (electric wiring), lead (batteries, paint), chrome and nickel (stainless steel plates, bumpers) and aluminum (frame) are much harder to remove than the nonmetallic impurities. The most common method of extracting these impurities in the past was burning the hulk. However, due to the increasing interest and awareness of the public to the environment, open burning is resented by people throughout the United States and banned in several areas. One alternative to burning is manual stripping of the auto however this is totally uneconomical. An economical alternative is burning the hulk in smokeless incinerators. New methods of burning have been devised to meet air quality standards such as the U. S. Bureau of Mines smokeless incinerator development and a Japanese invention which cooks the impurities at their various melting points. Both inventions could lower the stripping costs, but are being employed to only a small degree throughout the industry.

The situation is one in which it has been unprofitable for processors to buy auto scrap at prices which have been paid until recently when the scrap could be openly burned and then used in open hearth

\[9\text{Ibid.}\]
\[10\text{Shaffer and Collins, p. 2.}\]
production. Assuming a junked car population of forty million units, 
these vehicles could, if reclaimed as scrap in the steel making process, 
yield the equivalent amount of steel derived from sixty million tons of 
iron ore, forty million tons of coke, and twenty million tons of lime-
stone.\textsuperscript{11}

Since the auto wrecker acts as the go between for the auto owners 
and the scrap processors, his service logically is affected by the price 
the foundries are willing to pay. Until scrap metal becomes profitable 
and more in demand for the wreckers, the problem of abandoned autos will 
become worse unless society subsidizes its disposal.

The auto wrecker provides a second function which is ultimately 
related to scrap processing. He acts as a source of automobile parts 
which keep many lower valued cars in operation. The auto wrecker's 
greatest profits come from this service, not scrap processing. He is 
always on the look for late model junked automobiles because parts 
revenue is relatively high. Since they are an excellent source of use-
able parts, the wrecker willingly tows them to his yard. A very limited 
profit potential exists with older junked or abandoned autos, therefore, 
towing service is provided reluctantly by the auto wrecker and sometimes 
provided only at cost to the auto's owner. If auto wreckers had to rely 
solely on income received from local scrap processors of the car hulk, 
they would find it hard to remain in business. The costs of transporta-
tion and labor in handling older autos which have few if any marketable 
parts, equal or exceed what can be paid by the scrap processor. Wrecking 
yards are becoming overloaded with scrap autos while waiting for market

\textsuperscript{11}Tbid., p. 1.
conditions for their scrap to improve.

The problems associated with auto abandonment are not just economic. Many would argue that the problem is primarily sociological. Many groups and individuals are affected, the greatest number belonging to the low income group. More than 2,500 cars are abandoned every day in America. Most of this number can be attributed to the lower income groups who are the last users of the nearly worn out autos. Little demand for auto hulks combined with limited ability to keep older cars operative force these "final" users to abandon their worn out vehicles. As an automobile travels from person to person throughout its average life of ten and one-half years, each owner is normally less affluent than the previous owner. Ultimately, when the auto is removed from operation, the last owner must dispose of it. As mentioned previously, most wreckers are reluctant to buy older cars unless the parts value makes it profitable. If the wrecker feels that the auto is a liability rather than an asset, he must levy a fee to tow the car to the wrecking yard. This fee may vary from $7.50 to $10.00. Obviously members of the low income groups cannot afford to pay this fee. Thus they abandon their cars on the streets or in the rural areas rather than pay the tow cost. Various methods, mostly punitive, have been enacted to stop car abandonment. In Pittsburgh, the City Council increased the fine against violators from $5.00 to $300.00. The first persons tried were either jobless or had been recently released from hospitals and were otherwise indigent and unable to pay. Since people who normally abandon autos have low incomes, financial punishment is impossible.

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12 Ibid., p. 4.
13 Ibid.
Aspects of car abandonment involve many organizations. Naturalist groups consider it as polluting the beauty of the environment. Sociologists are concerned with the decadent segment of society in which abandonment occurs. State Departments of Health are concerned with abandoned cars as a potential home for bacteria and rodents as well as an unsafe place where children play. Legal agencies are disturbed over the lack of effective legislation to halt abandonment. The conservationist understands the problem as wastage of steel. Regardless of individual opinions on the subject, most people will agree that it is a crisis affecting the entire nation.

State and County Problem

The auto disposal problem differs in the rural areas from that of the cities. It has been estimated that a car in Chicago is abandoned once every 7.5 minutes. During just January and February of 1969, the city of New York removed 8,424 deserted cars from the streets. Last year New York City disposed of 58,000 abandoned cars. Of this figure only 505 automobiles were brought by their owners to the graveyards. Though the expense is high for removing so many cars in the cities, the city is compelled to remove the autos from public roads to prevent public transportation from plugging up.

Rural areas such as Montana are faced with another problem. Since

\[1\] Ibid.
\[15\] Ibid.
\[16\] Ibid.
cars in these areas are often abandoned along rivers, in canyons and open fields, the problem becomes one of preservation of existing beauty. According to a past president of the Montana Dismantlers Association in 1966, there were in Montana approximately 50,000 deserted auto bodies of which seventy-five per cent were abandoned on property other than wrecking yards. During 1966 he expected 30,000 more to be deserted in Montana. 18

It was determined from a junk auto survey conducted for Cascade County that an excess of 5,000 abandoned automobiles are deserted in yards, highways, city streets, rivers, streams and are scattered around the country. At the time of this survey in 1968, nearly 6,000 automobiles were then at rest in junk yards within Cascade County. These graveyards are open dump sites which scar the beauty of the surroundings. Also a large number of hulks are scattered along streams for use as "riprap." 19

"Riprap" is a term used to describe rocks and other soil erosion preventative which are placed on the boundaries of streams to maintain their slopes. In this case auto hulks are used in place of rocks. This would seem a dangerous substitute in that the hulks when placed in water would begin an oxidation process which could cause water pollution. Moreover, the oxidation reaction creates heat and in turn a potential home for disease bearing vermin. It is shown clearly from the survey results that Cascade County, as does the entire state of Montana, has a motor vehicle disposal problem.

18 Barth and Schnell, p. 33.

19 Thomas, Dean and Hoskins, Inc., Comprehensive Study of Solid Waste Disposal Cascade County, Montana, A Report to the Board of County Commissioners of Cascade County, Montana, (Great Falls - Bozeman, Montana, September, 1968), p. 124.
CHAPTER III

FEDERAL AND STATE ENVIRONMENTAL LEGISLATION

Federal Legislation

Although there is widespread federal legislation enforcing air and water pollution laws, there is little legislation involving solid wastes.

Under President Nixon's Reorganization Plan No. 3 of 1970, the Environmental Protection Agency, (E. P. A.), was created to manage environmental programs. Under its direction, all fifty states have submitted water quality standards. If these standards are found to be unsatisfactory, E. P. A. has the power to set the standards itself.\(^{20}\) Under the Federal Water Pollution Act, E. P. A. has the authority to take legal action against violators who have been given a six-month warning.\(^{21}\)

Similar to their water program, E. P. A. was given authority to set and enforce policy on air pollution under the Clean Air Act. This Act of 1965 along with its amendments of 1970 authorized E. P. A. to set the standards for the states.\(^{22}\)

The only legislation involving solid wastes started with the Solid Waste Disposal Act of 1965 and ended with the Resource Recovery Act of 1970. Although these Acts allow several grants in aid to state programs,


\(^{21}\)Ibid., p. 59.

\(^{22}\)Ibid., p. 28.
they are severely limited in federal authority to enforce solid waste disposal. These Acts authorized federal guidance but not the setting of policy. The E. P. A. may only support state and local attempts at solving solid waste problems. While no legal action has been taken against violators, the 1970 Resource Recovery Act does require that federally licensed operations must meet with its guidelines. This Act also authorized funds in support of plans concerning abandoned autos which is a large part of the solid waste problem.23

Compared to air and water pollution legislation, solid waste disposal has been neglected. While solid waste acts authorized over $40 million for 1971, actual outlays were only about one-fourth as much.24

There have been several attempts in Cascade County to apply for grants under the two Solid Waste Acts. The history of applications from Cascade County and the degree of their success is documented in Appendix I. The first application in July 1967 was approved and in October of 1968 a study on solid waste disposal was completed. In December 1968, an application for a grant under Section 108, demonstration activities, was submitted. Mr. Don Pizzini, then city sanitarian, indicated this project was rejected because it was not unique in that Chelton County, Alabama had presented a similar proposal earlier and had received the grant. In September of 1971, the City-County Health Department applied under Section 204 to demonstrate a regional collection and disposal project which would recover ferrous and non-ferrous metals and kraft paper. This was rejected since E. P. A. decided it only involved recovery of three

23 Ibid., p. 36.
24 Ibid., p. 37.
items. Other proposals were turned down for lack of money in that category. Of all the applications submitted by the county, only one has been approved as of May 2, 1972.

**State Legislation**

Under Montana State Codes, current acts of legislation governing motor vehicles make it unlawful to use junked motor vehicles for flood control of a stream or for reinforcement of the banks of a stream. The penalty for violation is $250 and/or thirty days in jail.

Other state laws make it unlawful to leave a motor vehicle on a public highway for forty-eight hours. If a complaint is received on a motor vehicle abandoned on public property, the tires are marked and if after five days the owner does not move the vehicle, it may be hauled away by county authority. If the owner does not pay for storage and towing fees, the vehicle may be sold to cover charges.

Senate Bill #69 (Appendix II) which was drafted in the State Department of Health, was created chiefly by Mr. Terrence Carmody, Resident Supervisor, Division of Environmental Sanitation. The bill was sponsored by Senate Majority leader Dick Dzivi. The proposed bill was first defeated in February, 1971. Since the bill was a revenue measure, it was re-introduced in the extra-extraordinary legislative session in June of 1971 where it never got out of committee.

Sections 12, 13, and 15 are of crucial importance in the working of the bill. The state is given the right for final disposal of motor vehicles in Section 12. The disposal fee and the amount the state is allocated to prepare the car for shipment to a shredder are dealt with in Sections 13 and 15.

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25*Great Falls Tribune*, May 21, 1971, p. 22.
CHAPTER IV

ANALYSES

The adequacy of the financial provisions of the Bill will be analyzed below. It will be determined whether the $2.00 and $.50 levies had they been passed, would have created sufficient revenue to cover the cost of crushing and shipping auto scrap to shredding facilities in Washington.

Three financial analyses have been made. A state conducted operation was assumed in the first study under which the state would purchase a mobile auto crusher and pay railroad rates for scrap shipment to various shredding facilities in Washington where the exporting area would receive the going rate for auto scrap. It has indicated in previous research that truck rates for shipment of auto scrap are higher than railroad rates, therefore, truck rates have been eliminated from the first study. It was assumed in the second study that the state use the revenue collected to contract with a firm whose operation included both crushing and transporting junk autos. Finally, in the third analysis it was assumed the state contracted to the nearest facility, Spokane, which also has an operation which flattens and trucks auto scrap to its Spokane Facility. After comparing the analyses, the least expensive method of disposal was applied to the financial provisions proposed in Senate Bill #69, that is $2.00 and $.50 levies, to test the adequacy of these amounts.

Railroad Analysis

A part of the cost study was concerned with rail transportation
The in-state operating costs before shipment were dealt with in the second portion. Rates specified by the clerks of Great Northern and Milwaukee railroads are shown in Table 1 and 2.

### TABLE 1

**RAIL SHIPPING COSTS - VIA BURLINGTON NORTHERN R. R.**

<table>
<thead>
<tr>
<th>Shipping Combination</th>
<th>Min. Carload Requirement</th>
<th>Freight Rate Per 100 lbs.</th>
<th>Freight Cost Per Carload</th>
<th>Freight Cost Per Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Falls-Spokane, Seattle &amp; Tacoma</td>
<td>100,000 lbs.</td>
<td>$ .76</td>
<td>$760</td>
<td>$15.20</td>
</tr>
<tr>
<td></td>
<td>80,000</td>
<td>.83</td>
<td>672</td>
<td>16.60</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>1.02</td>
<td>612</td>
<td>20.04</td>
</tr>
</tbody>
</table>

### TABLE 2

**RAIL SHIPPING COSTS - VIA MILWAUKEE R. R.**

<table>
<thead>
<tr>
<th>Shipping Combination</th>
<th>Min. Carload Requirement</th>
<th>Freight Rate Per 100 lbs.</th>
<th>Freight Cost Per Carload</th>
<th>Freight Cost Per Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Falls-Spokane, Seattle &amp; Tacoma</td>
<td>100,000 lbs.</td>
<td>$ .75</td>
<td>$750</td>
<td>$15.00</td>
</tr>
<tr>
<td></td>
<td>80,000</td>
<td>.84</td>
<td>712</td>
<td>16.80</td>
</tr>
<tr>
<td></td>
<td>60,000</td>
<td>.97</td>
<td>582</td>
<td>19.40</td>
</tr>
</tbody>
</table>

As is shown in Tables 1 and 2, the freight rate from any one operating location to any of the three shredding facilities remained constant. According to price lists specified by the Great Northern and the Milwaukee Railroad, Spokane, Seattle and Tacoma, though differing greatly in mileage from Montana, all fall within the same area for commodity shipments of scrap metal. However, it was stated by Mr. Duane Olson, rate clerk for Milwaukee Railroad, that a formal request for negotiation for mileage rates instead of commodity rates could be submitted to possible alleviate...
inequities in rates. However, there is a disguised problem inherent in shipping crushed auto hulks which makes the rates shown in Tables 1 and 2 even more expensive. The dimension of a typical railroad gondola are such that they cannot efficiently accommodate the dimensions of a crushed auto body. The railway assesses its charge on a minimum 100,000 pound load at $15.00 per ton. Due to the large bulk of crushed autos, probably not more than 50,000 pounds can be loaded. If this were the case, the price per loaded ton would rise to approximately $30.00 per ton. An agent for the Milwaukee Railroad indicated, however, that this problem has a solution. The agent explained that Southern Pacific Railroad in California has been using bulkhead cars instead of gondolas for shipment of crushed cars. Unlike gondolas, the bulkhead cars eliminate the loading problem as they have moveable stakes which are used as support along the sides of the car. This enables the minimum required weight to be met and keeps the cost per ton from being distorted.

In-state operating expenses include the costs of an auto flattener, fork-lift trucks to load the vehicles into the crusher, vehicles for towing the flattener, transporting the fork-lift, and providing a crane and its fuel to load the hulks onto the gondola. These costs came to $5.49 per ton. Other costs associated with in-state expenses are: labor costs including a full-time fork-lift truck operator and a crane operator and oiler; indirect costs such as Workmen's Compensation and Old Age and Survivor's Insurance; and the overhead expense of the salary

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26 Barth and Schnell, p. 38.
for management. These costs amounted to $2.07 per ton. The total figure of in-state operating costs came to $7.56 per ton.

Mr. Gene Goodwin, Field Representative for A American By-Products Company, Spokane, Washington, on 12 October 1971, quoted various prices which Spokane, Seattle and Tacoma Mills were willing to pay for crushed autos. Mr. Goodwin explained that these prices are in constant fluctuation for the following reasons: 1. Seattle, Spokane and Tacoma buyers deal largely with Japan therefore the price they are willing to pay for car hulks depends upon the current Japanese demand for the scrap metal; 2. These shredding facilities also sell their product to steel companies within the United States, therefore the prices they are willing to pay logically depends a good deal on the state of the American economy; 3. Steel companies very often try to avoid the consequences of an anticipated strike by stockpiling scrap metal. However, if the strikes do not occur, the companies find they have a huge backlog of scrap causing a fall in demand which in turn causes a more than proportional drop in price paid by the shredding facilities in Washington.

Mr. Goodwin explained that Spokane will pay anything from $8 to $15 per ton with an average of $13. He added that since Seattle and Tacoma are near the coast for easy shipment of theirproduct, therefore they normally pay about $5 more per ton averaging $18 per ton. Since the cost for shipping crushed autos is no more expensive to Seattle or Tacoma

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27 Ibid.
28 Ibid.
29 Conversation (interview) with Mr. Gene Goodwin on October 12, 1972.
30 Ibid.
than to Spokane, the only choice would be to deal with Seattle or Tacoma as they will give $5 more per ton of crushed car.

Therefore, the least expensive route of shipment for Cascade County would be Great Falls - Seattle or Tacoma. Total production costs would be $7.56 per ton (flattening and loading) which when added to the freight cost of $15 per ton equaled $22.56 per ton. If the shredding facility at Seattle or Tacoma pays $18 per ton, a loss of $4.56 per ton would be incurred.

"Radcliff Bros." Analysis

When Senate Bill #69 was introduced and evaluated, certain companies who handle crushing and shipping operations were called on to submit proposals. Radcliff Bros. Inc. was one of these companies. On December 18, 1970, Radcliff submitted the following bid.

Proposal Fee for Junk Automobile Campaign

Radcliff Bros. Inc.

1. Charge for crushing and stacking junk cars at sight: $10 per unit.
2. Charge for crushing and shipping junk cars from sight: $10 per unit and $.40 per mile.
3. Charge for removing junk cars from various locations: $12 per unit.

At $.40 per mile the charge to Spokane would be $.40 x 374 miles or $149.60. Since the most trucks can handle is approximately twenty tons of crushed autos, the mileage cost per ton would be $149.60 ÷ 20 tons or about $7.50. Total cost per ton of crushing and transporting junk autos to Spokane would amount to $18.50. If Spokane Mills paid an
average of $13 per ton for scrap, a deficit of $5.50 per ton would be incurred.

If the junk autos were transported to Seattle, the cost would be $11 per ton for crushing plus ($ .40 x 654 miles) $261.60 or ($261.60 ÷ 20 tons) $13.80 per ton. Total cost per ton would amount to $24.80. Assuming Seattle paid their average $18 per ton, a deficit of $6.80 would be incurred.

Since Tacoma is further than Seattle yet pays no more for scrap metal, it has been eliminated from this analysis as it would be economically unsound to deal with mills in that city.

"A American" Analysis

The last analysis involves a bid submitted by A American By-Products Co., auto salvage processors out of Spokane. Their operations, like Radcliff Bros. Inc., include crushing and transporting junk autos. However, unlike Radcliff Bros., A American is also a recycling facility and therefore interested in buying the scrap which it flattens and hauls. On December 13, 1970, A American By-Products Co. submitted the Table 3 cost plan to Mr. Terrence Carmody, Project Coordinator for the Solid Waste Program, Division of Environmental Sanitation for the State Department of Health, Helena, Montana.

On October 12, 1971, Mr. Gene Goodwin, Field Representative for A American By-Products Company, quoted newer modified costs based on three general areas; Western, Central and Eastern Montana.\(^{31}\)

\(^{31}\) Interview with Mr. Gene Goodwin. Costs are based on the Company retaining junk autos without repayment to the state for supplying the junk cars. Costs are approximate as variables include current market value of scrap metal.
TABLE 3
PROPOSAL FEE FOR JUNE AUTO CAMPAIGN
A AMERICAN BY-PRODUCTS CO.

<table>
<thead>
<tr>
<th>City</th>
<th>Flattening</th>
<th>Transport</th>
<th>Flattening &amp; Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missoula</td>
<td>$6.00</td>
<td>$8.00</td>
<td>$14.00</td>
</tr>
<tr>
<td>Helena</td>
<td>6.00</td>
<td>12.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Great Falls</td>
<td>6.00</td>
<td>16.00</td>
<td>22.00</td>
</tr>
<tr>
<td>Butte</td>
<td>6.00</td>
<td>12.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Billings</td>
<td>6.00</td>
<td>16.00</td>
<td>22.00</td>
</tr>
<tr>
<td>Havre</td>
<td>6.00</td>
<td>22.00</td>
<td>28.00</td>
</tr>
<tr>
<td>Wolf Point</td>
<td>6.00</td>
<td>22.00</td>
<td>28.00</td>
</tr>
<tr>
<td>Miles City</td>
<td>6.00</td>
<td>17.00</td>
<td>23.00</td>
</tr>
</tbody>
</table>

Mr. Goodwin indicated that for Western Montana, up to a 250 mile radius from Spokane, no cost would be charged to the State for flattening and shipping of cars.

For Central Montana, including Great Falls and Cascade County, a charge of about $4.50 per ton for flattening and transporting would be levied against the state.

As points East are farthest from Spokane, the costs of transportation are greater. Mr. Goodwin suggested a $7 charge for this area.

When compared with the other two methods of alleviating the junk auto problem, the A American By-Product's proposal seems the most favorable. Assuming a relatively equal number of junk autos in Western, Central, and Eastern Montana, the last proposal would yield an average

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32 Since A American is a recycling facility, all costs are based on transportation only to Spokane.
deficit of $11.50 \div 3$ or $3.83$ per ton for the entire state and $4.50$ per ton for the Great Falls area. The highest offer that Radcliff Bros. Inc. would make indicated a loss of $5.50$ per ton for the Great Falls area. If the railroads were used, as in the first analysis, and a state sponsored flattening operation were set up, still a minimum deficit of $4.56$ per ton would be incurred.
CHAPTER V

ANALYSIS OF S. B. #69 AND SUMMARY OF FINDINGS

If Senate Bill #69 had been passed, its financial provisions would have dictated a levy of $2.00 on each motor vehicle plus $.50 for each two-wheeled motor vehicle.

During 1971, Cascade County Motor Vehicle Registration Department registered 40,138 cars, 15,837 trucks and 2,007 motorcycles.

Assuming the County received the maximum one-half the amount that it collects, (the State receives one-half), the following revenue table can be devised.

<table>
<thead>
<tr>
<th>Number of Motor Vehicles</th>
<th>Anticipated Cascade County Revenue</th>
<th>State Share</th>
<th>Cascade County Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,138 (cars)</td>
<td>$80,276</td>
<td>$40,138</td>
<td>$40,138</td>
</tr>
<tr>
<td>15,837 (trucks)</td>
<td>31,674</td>
<td>15,837</td>
<td>15,837</td>
</tr>
<tr>
<td>2,007 (motorcycles)</td>
<td>1,404</td>
<td>702</td>
<td>702</td>
</tr>
<tr>
<td></td>
<td>$113,354</td>
<td>$56,677</td>
<td>$56,677</td>
</tr>
</tbody>
</table>

In order to adequately determine whether the revenue clauses of the Bill could cover the $4.50 per ton deficit which would be incurred for Cascade County if A American By-Products were employed, it is necessary first of all to estimate the number of autos which are junked each year in Cascade County.

There are approximately 110 million automobiles on the road at
present in the United States. Cascade County has 55,975 or .00050 of them. Each year about seven million cars are junked throughout the United States. Assuming that this ratio is a valid estimate for a given county, the number of autos junked annually in Cascade County would approximate (7 million x .00050) or 3,500. This estimate compares favorably with one provided by the marketing agent for A American By-Products Company who estimated at least 3,100 discarded autos per year in Cascade County.

It must be determined now whether the county's share of $56,677 from the county revenue is adequate to pay the $4.50 charge per ton to get 3,500 junked autos per year to Spokane. Three thousand five hundred auto units represent about (90% x 3,500) or 3,150 tons of scrap. If A American By-Products Company charged $4.50 to crush and transport each ton to Spokane, total annual cost should approximate ($4.50 x 3,150) or $14,175 for Cascade County.

Obviously the $56,677 annual anticipated revenue for Cascade County is more than adequate to cover the calculated annual cost of $14,175 for Cascade County. This proves beyond a doubt that this financial provision of Senate Bill #69 was more than sufficient to rid the County of its recurring derelict auto problem.

A fee of $1.00 has been proposed for crushing and shipping the autos to Spokane only, but as shown in Table 5, the charge could be reduced to approximately $ .32 for Cascade County if all shipments are made to Spokane Mill. It was assumed that the total levy would equal the total cost of the program. It is shown in Table 5 that $14,175.00

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33 Pekkala.
is obtained if each registered auto in the county is taxed $ .26 and each motorcycle is taxed $ .06.

TABLE 5

PROPOSED LEVY PER REGISTERED CAR AND TRUCK FOR CRUSHING AND SHIPPING TO SPOKANE

<table>
<thead>
<tr>
<th>Description</th>
<th>Equation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Levy</td>
<td>( $(1) (\text{No. of Cars}) + ($(1) (\text{No. of Trucks}) + ($14,175) ) )</td>
</tr>
<tr>
<td></td>
<td>( = ($(.25) (\text{No. of Motorcycles}) ) )</td>
</tr>
<tr>
<td>$14,175</td>
<td>( = (40,138)x + (15,837)x + (2.807)x )</td>
</tr>
<tr>
<td>$14,175</td>
<td>( = 55,975x + 702x )</td>
</tr>
<tr>
<td>$14,175</td>
<td>( = 56,677x )</td>
</tr>
<tr>
<td>( x )</td>
<td>( = \frac{14,175}{56,677} )</td>
</tr>
<tr>
<td>( x )</td>
<td>( = $ .26 )</td>
</tr>
<tr>
<td>Cars and Trucks</td>
<td>( $ .26 )</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>( $ .06 )</td>
</tr>
<tr>
<td>Total</td>
<td>( $ .32 )</td>
</tr>
</tbody>
</table>

The \$ .32 only covers the recurring scrap autos each year. This still leaves thousands of autos, junked prior to 1972 which must be disposed of also. This number is estimated in Table 6.

This leaves \$ .68 a year to deal with approximately 25,000 autos. The 25,000 autos represent about \( (90\% \times 25,000) \) or 22,500 tons of scrap at \$4.50 a ton resulting at a cost of \$121,250. This leaves \$38,063 a year \( (\$ .68 \times 55,975) \) to rid the county of abandoned and junked cars. A considerable impact could be made the first year and in four years the problem would no longer exist.

While the \$1.00 which goes to state is more than adequate to cover costs, it must be seen if the county's share of \$56,677 is adequate
to cover the county’s program.

TABLE 6

ESTIMATED ABANDONED OR JUNKED AUTOS
PRESENTLY IN CASCADE COUNTY

Registered Vehicles on the Road in:

<table>
<thead>
<tr>
<th></th>
<th>68</th>
<th>69</th>
<th>70</th>
<th>71</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Nation</td>
<td>100,384,786</td>
<td>105,096,603</td>
<td>108,977,000</td>
<td>110,000,000</td>
</tr>
<tr>
<td>B. County</td>
<td>48,383</td>
<td>52,256</td>
<td>51,101</td>
<td>55,975</td>
</tr>
<tr>
<td>C. ((B \div A)) County % of Nation</td>
<td>.00048</td>
<td>.00049</td>
<td>.00047</td>
<td>.00050</td>
</tr>
<tr>
<td>D. Annual National Vehicle Scrap-</td>
<td>7,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>page35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. ((D \times C)) Estimated Annual Scrappage in Cascade County</td>
<td>3,360</td>
<td>3,430</td>
<td>3,290</td>
<td>3,500</td>
</tr>
</tbody>
</table>

When Senate Bill #69 was in its rough draft stages, it was originally planned to allocate a straight $5,000 to each county plus $.25 for each registered motor vehicle. If this had been enacted, Cascade County would have received $19,695 in 1971 compared to the revised maximum of one-half the total amount collected in the County, $56,677.

\[34\] According to 1971 Automobile Facts & Figures, since 1964 total annual scrappage has fluctuated around 7,000,000.

\[35\] Ibid.

\[36\] Thomas, Dean & Hoskins, p. 123-4.
Possible costs for a county operated program would be incurred in the following areas: land, upkeep, administrative costs, towing costs. Data from a cost study based on the cost of land, maintenance, and on site labor indicated an operating expense of about $10.00 per car. In the case of Cascade County, this would be a maximum cost per car since it was hoped that land for these purposes will be donated. The $10.00 also included the cost of a full time attendant at the yard. The labor cost could possibly have been reduced if the attendant worked only when the crushing equipment were on site.

Administrative costs included the new records and paperwork which would be generated by this program. It is impossible to say if this would create new administrative posts to be filled or if those already in county employment would merely increase their workload, in which case there would be no substantial change.

Towing costs to the state were not mentioned in the bill, however, it was felt that the vast majority of cars would be transported to the yards or towed in at the owner's expense.

If a maximum of $10.00 per auto is used as a cost basis, Cascade County would incur an approximate $35,000 expense ($10 x 3500) from disposing of scrap autos per year. This would leave over $20,000 per year to handle cars already abandoned in the county.

It has been shown that the provisions under evaluation are sufficient to subsidize the state's goals of crushing and shipping junk autos to a recycling site, thereby eliminating the problem in Montana. Why

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then was Senate Bill #69 not enacted?

This is a question which will unfortunately remain unanswered. Minutes from the Committee meetings involved with Senate Bill #69 showed the following people present in favor of the bill: Senator Dzivi, chief sponsor of the bill; Senator Stein; Vernon E. Sloslin, Department of Health; Terrence D. Carmody, Director of the Department of Health; Terry Holtz, Auto Dismantlers from Havre; Don Ingels, Montana Chamber of Commerce; Archie Cran, A. C. Auto Wrecking from Bozeman; W. E. Corey, Corey Auto Parts from Missoula; Louie Schwenbeck, Montana Truck and Salvage from Great Falls; Preston Trask, Trask Truck and Car Wrecking from Billings; Robert Myklebust, City Traffic Engineer from Great Falls.

The State Department of Health indicated that other support came from the Montana Chamber of Commerce, Montana Association of County Commissioners, Montana League of Cities and Towns and Montana Auto Wreckers Association.

The only individual speaking against the bill was Albert Erickson, Executive Vice President of the Montana Automobile Association. He expressed disfavor of the two dollar fee. Out of all of his members polled, 54% were against the two dollar levy.

On a letter to the author dated July 2, 1971 from Senator Dick Dzivi, the Senator explains that he inquired of some of the Senators on the Committee as to their reasons for ultimately bringing out an adverse report which killed the bill. Senator Dzivi was advised that they felt the two dollar charge was an excessive one.

According to a letter to the author from Terrence D. Carmody,
Director Solid Waste Program Division of Environmental Sanitation, dated October 1, 1971, Tom Selstad, a legislator from the Great Falls area, pocketed and thus defeated the bill during the Extraordinary Session. Mr. Carmody indicated in a letter dated February 22, 1971 that the major cause of the bill's defeat concerned possible selfish interests of certain legislators. Mr. Carmody indicated that one reason why the bill never got out of Committee was that one Senator who owns several cars located on his property did not want to pay $2.00 per auto.

In one interview, Mr. Don Pizzini indicated that he felt the bill was introduced into the wrong committee (Highways and Transportation Committee) when it should have come under an environmental committee.
Abandoned and junked automobiles present a growing problem in Montana. Senate Bill #69 was written to eliminate junked automobiles by subsidizing their flattening and removal. The proposed tax of $2.00 on every registered car and $.50 on every registered motorcycle was compared to actual cost of such an operation and found to be more than adequate. After choosing the least expensive of three methods of removal, it was determined that the $1.00 tax going to the state for cars could be reduced to $.26 and the $.25 going to the state for motorcycles could be reduced to $.06 and still eliminate the recurring junked car population on the state level. It was also determined that if the $1.00 were not reduced, the problem of already abandoned or junked autos could be eliminated within four years. Of the $1.00 going to the county it was determined that the county operated program could function with approximately $20,000 remaining each year to handle already junked or abandoned cars.

Suggestions for Further Research

Since this paper has been limited to an analysis of the finances involved in crushing and shipping the junk automobiles to a recycling destination, it has had to deal only with a part of the $2.00 registration fee proposed by the bill. Section 15 of Senate Bill #69 states
that each county shall not receive more than one-half the amount that
the state collected from that county. Therefore, the analysis has
been limited to one-half of $2.00 or $1.00. Although it has been
shown how the $1.00 allotment to the county for development and
maintenance of free motor vehicle graveyards can also be reduced.

This is an area which requires further study for adequate analysis
of the financial provisions on the county level. Not until someone
endeavors to study this remaining area can the proposed bill be analyzed
in its entirety.

Another relatively untouched area of study is that of determining
possible ways to increase the value of scrap which ultimately would
lower the cost of subsidizing a junk car disposal program in Montana.
This study would originate on a Federal level as possible inducements for
steel foundries to cooperate would have to come from Federal legislation.

Several ideas for this study could be pursued:

1. Tax reductions for steel foundries which would pursue a
research and development program with the objective of perfecting a way
to use more scrap metal in their steel-making process.

2. A study involving the restriction of the use of pig iron
instead of scrap.

3. A study involving Federal legislation to make steel found­
dries with Basic Oxygen Furnaces use the maximum 30% scrap in steel
production. Those steel foundries still employing the Open Hearth
Furnaces could be forced to use up to 60% scrap in production.

4. Another area of study briefly mentioned in this paper is
that involving the low income group which can generally be charged with
the car abandonment problem. Since this group cannot afford the towing
charge, they are forced to abandon autos all over the countryside. Presently, legislation enacted to halt abandonment is used as an instrument of punishment against the individual and has not been effective in altering the problem. It stands to reason that if an individual cannot afford to junk his car, he also cannot afford to pay fines imposed upon him.

Two ideas could be evaluated which might help eliminate this problem:

a. State subsidy for towing services to collection sites.

b. Bypass taxation of the consumer by allowing tax incentives for auto wreckers to collect and process abandoned autos.

5. A study concerning the automotive industry and whether it have involved itself adequately in methods of junked auto disposal would be another possible area of investigation.
APPENDIX I

SOLID WASTE STATUS REPORT


2. December, 1968. Application for Demonstration Project describing a total County-wide collection and disposal program administered by the local City-County Board of Health. Basis for the passage of the Montana Refuse District Law. (See Item "B"). Application based on the recommendations of the Study Grant. Not approved.


5. September, 1971. Application under Section 204 (Demonstration Activities) of the 1970 Resources Recovery Act. Requesting to describe a rural regional program involving various cities, towns and rural areas from a number of counties, utilizing bulk storage containers, transfer trailer stations, and recovery station for all metals both ferrous and non-ferrous and kraft paper. No official word to date.


APPENDIX II

SENATE BILL #69

These were the national and local events which led to the proposal of Senate Bill #69 which failed to pass the Highways and Transportation Committee. The following is the proposed bill along with sections of it which are critical to analysis.

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE LICENSING OF MOTOR VEHICLE WRECKERS, LICENSE FEE, PERMITS, MAINTENANCE OF RECORDS, HEARINGS IN CASE OF LICENSE REFUSAL, SUSPENSION, OR REVOCATION, SCREENING OF MOTOR VEHICLE WRECKING YARDS, PROMULGATION OF RULES AND REGULATIONS, INSPECTION OF RECORDS, ESTABLISHMENT OF MOTOR VEHICLE GRAVEYARDS, RIGHT FOR THE STATE DEPARTMENT OF HEALTH TO CONTRACT WITH PRIVATE ENTERPRISE FOR THE PURPOSE OF DISPOSAL OF OLD AUTOMOBILES, ESTABLISHMENT OF A DISPOSAL FEE ON OLD MOTOR VEHICLES REGISTERED IN THE STATE, AND FOR THE DISTRIBUTION OF FUNDS."

Section 1. Definitions. (1) The words "motor vehicle wrecker" whenever used in this act, shall mean every person, firm, partnership, association, or corporation buying, selling or dealing in four (4) or more vehicles per year of a type required to be licensed under the laws of this state, for the purpose of wrecking, dismantling, disassembling or substantially changing the form of any motor vehicle, or who buys or sells integral secondhand parts or component material thereof, in
whole or in part, and deals in secondhand motor vehicle parts.

(2) The words "established place of business" whenever used in this act, shall mean a building or enclosure which the owner occupies either continuously or at regular periods and where his books and records are kept and business is transacted and which must conform to state and municipal zoning and regulations.

(3) "Board" as used in this act shall mean the state board of health.

(4) "Department" as used in this act shall mean the state department of health.

(5) "Motor Vehicle Graveyard" as used in this act shall mean a collection point for old discarded motor vehicles prior to final disposal.

Section 2. License required. Any motor vehicle wrecker, as defined herein, who shall engage in the business of wrecking motor vehicles or trailers without having first applied for and received a license from the department, authorizing him to do so shall be guilty of a misdemeanor, and upon conviction shall be punished by imprisonment for not more than thirty (30) days in jail and/or by fine of not more than five hundred dollars ($500) or both such fine and imprisonment. Each day of operation shall constitute a separate offense.

Section 3. Application for license. Application for an annual motor vehicle wrecker's license shall be made on forms furnished by the department and contain information required by the department. An annual fee of one hundred dollars ($100) shall accompany each application and be deposited with the state treasurer in an earmarked fund to be used for administering the state's program for motor vehicle disposal.
Upon receiving the license, the applicant shall cause it to be permanently displayed in his place of business for inspection at any reasonable time. License will expire on December 31 of year issued. All motor vehicle wreckers will have until February 1 of each year to renew their license. Whenever a motor vehicle wrecker shall cease to do business as such or his license has been suspended or revoked, he shall immediately surrender such license to the board.

Section 4. Permit. Anyone who, for the purposes set forth in Section 1 (1) of this act, disassembles less than four (4) vehicles per year of the type required to be licensed under the laws of this state shall first obtain a permit from the sheriff's office. A permit is required for each vehicle being disassembled. It shall be prima facie evidence that a vehicle in a disassembled condition has been so partially disassembled by the person or persons having possession thereof. Application for a permit will be made on forms furnished by the department and be accompanied by a fee of five dollars ($5). Said permit shall remain in applicant's possession until entire vehicle has been disposed of and shall be valid for one (1) year only from date of issue. Anyone who is in the process of disassembling vehicles shall be required to produce a valid permit upon the demand of the sheriff or his authorized representative or any law enforcement officer. Anyone who disassembles less than four (4) vehicles per year without first obtaining a permit shall be guilty of a misdemeanor and upon conviction shall be punished by imprisonment for not more than thirty (30) days in jail and/or by fine of not more than five hundred dollars ($500) or both such fine and imprisonment. Each day of violation shall constitute a separate offense.

Section 5. It shall be prima facie evidence that anyone who has
in his possession four (4) or more vehicles of a type required to be licensed under the laws of this state, at a single location, that are inoperative, not licensed, or in different stages of disassembly, is a motor vehicle wrecker and shall abide by all provisions of this act.

Section 8. Place of business used exclusively, wall, fence or hedge required. It shall be unlawful for any motor vehicle wrecker to keep any motor vehicle or any integral part thereof in any place other than the established place of business, designated in the license issued by the department. All premises containing such motor vehicles or parts thereof shall be enclosed by a wall or fence of such height as to obscure the nature of the business carried on therein. To the extent reasonably necessary or permitted by the topography of the land, the board shall have the right to establish specifications or standards for said fence or wall. However, in no case will the height of the screening have to exceed ten (10) feet if the cars are only stacked two (2) high. If the cars are stacked three (3) high, fifteen (15) feet of screening may be required and so on: PROVIDED, however, that such wall or fence shall be painted or stained a neutral shade which shall blend with the surrounding premises, and that said wall or fence must be kept in good repair. A living hedge of sufficient density to prevent a view of the confined area may be substituted for such wall or fence. Any dead or dying portion of such hedge shall be replaced. All motor vehicle wreckers will have five (5) years after the enactment of this act to comply with this section.

Section 9. Rules and regulations. The board is hereby authorized to promulgate and adopt reasonable rules and regulations not in conflict with the provisions of this act for the operation and.
enforcement.

Section 10. Inspection of records. The state department of health or its authorized representative has the authority to enter any licensed motor vehicle wrecker's place of business at a reasonable hour for the purpose of inspection of premises and records.

Section 11. Motor vehicle graveyard. Each county shall develop and maintain free motor vehicle graveyards in sufficient number and distribution to adequately serve the needs of the county. Free motor vehicle graveyards may either be maintained and operated by the county or the county may contract with private enterprise. Free motor vehicle graveyards shall comply with all the provisions of this act and the regulations provided for by this act, but, if county operated, will be excluded from the licensing requirement. Any vehicle delivered to a free motor vehicle graveyard by an individual will become the property of the state and the individual shall surrender the certificate of title to the proper authority. When there becomes an accumulation of at least two hundred (200) automobiles in these yards, the local government will notify the department.

Section 12. Right to contract. The department has the right and responsibility to contract with private enterprise for the final disposal of motor vehicles that accumulate in the motor vehicle graveyards throughout the state. The department will also have the right to contract with private enterprise to clean out any licensed motor vehicle wrecker's yard of old automobiles if there is an accumulation of two hundred (200) or more vehicles and such a request is made to the department.

Section 13. Disposal fee. There will be assessed an annual disposal fee of two dollars ($2) on each motor vehicle registered in the
state with the exception that two wheel motor driven vehicles will be assessed a fee of fifty cents (50¢). This fee will be collected by the county treasurer at the time the motor vehicle is licensed. This two dollar ($2) fee will be deposited with the state treasurer in an earmarked fund to be used for administering the state's program for motor vehicle disposal.

Section 15. Distribution of funds. When the department has received and approved the county plan, the department shall distribute to that county the amount of money in the county's proposed budget, to be placed in an earmarked fund for the sole purpose of administering the proposed plan. The amount that each county shall receive shall not exceed one-half (½) the amount that the state collected from that county the previous year.
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C. ARTICLES AND PERIODICALS


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