

Andrew Kleine

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| FROM | NAME & TITLE | Andrew Kleine, Chief |
| | AGENCY NAME & ADDRESS | Bureau of Budget and Management Research Room 432 City Hall (410) 396-4941 |
| | SUBJECT | City Council CCB 13-0237 – Automated purchases makes illegal the use of reverse vending machines for the purchase of items |

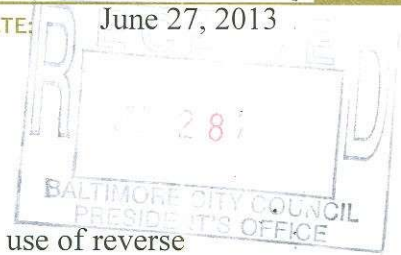
CITY of
BALTIMORE
MEMO



DATE: June 27, 2013

TO

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall



City Council Bill 13-0237 – Automated purchases makes illegal the use of reverse vending machines for the purchase of items.

Analysis

Reverse vending machines are used for a wide range of products. Generally, these vending machines are utilized for recycling containers, but have recently been extended to the recycling of goods also. Of particular concern is the recycling of used cell phones and tablets.

The problem as identified is the use of the reverse vending machines to sell stolen goods. While most machines have rudimentary controls, there are post-sale controls such as photographing the seller and requiring thumb prints and driver licenses. However, these can be easily circumvented and do not prevent the sale of the goods. A secondary concern is that the availability of these devices has provided an easy and efficient means of selling stolen goods which in turn has resulted in an increase in the theft of these devices.

Making these devices illegal, issuing a fine and possible imprisonment may help reduce any additional theft that these devices may be causing. However, the Finance Department believes that given the amount of precious metals that can be recovered from cell phones and tablets that the fines may not provide enough of a penalty for this activity to cease. Experts estimate that 550 lbs of silver (\$20/oz.), 50 lbs of gold (\$1,289/oz.), 20 lbs of palladium (\$669/oz.) and 20,000 lbs of copper (\$3/oz) can be recovered for every 1 million cell phones we recycle (Gogreenplus.org).

Instead, by amending the bill with a provision for confiscation, the City would be better able to remove the reverse vending machines in question. Confiscation would also provide police with the ability to examine the contents of the machines for stolen items or items utilized in a crime. It would also provide a mechanism to determine the number of transactions that have occurred and thus setting the fine. It is believed that confiscation would effectively end the use of unregulated reverse vending whereas a fine may not.

F/A

Fiscal Impact

Because this is a new and rapidly changing market, it is not possible to determine the number of fines that would be levied. It is believed that the amount would not be significant and would at best offset the cost of implementing and operating a fine system.

The Finance department estimates that in the initial year costs will be approximately \$30,000 for system implementation and ongoing operational costs approximately \$2,000.

This cost could be reduced and additional revenue generated if the bill is amended to provide for confiscation of reverse vending machines. A single citation for each occurrence could then be mailed. It is believed that machine confiscation would effectively end the use of reverse vending machines in the City, whereas with a fine only option, it may still be profitable to continue the illegal operation. Additionally, without confiscation, it is impossible to determine the number of infractions committed.

Recommendation

The Finance Department supports CCB 13-0241 and would recommend that an amendment be added that would permit the confiscation of reverse vending machines found in violation of the statute.

CC: Harry Black
William Voorhees
Angela Gibson