Pollution Prevention Implementation Plan for Vehicle Maintenance

Parts Washing

Most vehicle maintenance facilities use parts wash basins containing petroleum-based solvents. Common parts washer basins cost $600 but for less than $1,500 a firm can reduce waste solvent generation by purchasing a "hybrid" unit. These units purify the circulating solvent, reduce hazardous waste generation rates and decrease off-site transportation liabilities. Another option is the purchase of an aqueous washer that can cost from $3,000 to $4,000. However, if you are not located on city sanitary sewer systems you will need to spend another $8,000 for an on-site wastewater recycler. Most parts washers will be financed internally but if you do opt for an aqueous cleaner, the Small Business Administration's (SBA) "Low Doc" program might fit your needs.

Aerosol and Oily Waste Pollution Prevention

The use of refillable spray cans and bulk product is a relatively inexpensive way to eliminate the need to dispose of aerosol cans in landfills. The use of laundered shop towels is a pollution prevention alternative to disposable rags and oil absorbents. The cost of these prevention alternatives will be financed internally from current cash flows.

Antifreeze Recycling

The purchase cost of in-house recycling equipment for used antifreeze can be between $8,000 and $10,000. External financing would be available from your commercial lender with submission of a cost/benefit analysis worksheet (see Figure 4-1) and cash flow projections. The method your firm chooses will depend on the quantity and quality of used antifreeze generated. It may be most cost effective to contract a service company to recycle the used antifreeze.

Used Oil Management

The key project that might require outside financing for used oil management purposes would be the purchase of a used oil furnace. These furnaces cost from $5,000 to $10,000 installed and should have paybacks of less than 5 years. These are excellent projects to consider financing through your local bank with an SBA "Low Doc" loan described below.

Auto Refinishing Alternatives

There are several pollution prevention alternatives for vehicle maintenance facilities that perform vehicle refinishing. The use of high volume-low pressure (HVLP) spray guns, enclosed gun wash units and paint mixing systems are a few that will require capital investments by the firm. However, the costs should be less than $3,000 for these items and most financial institutions will work with you on short term lines of credit if needed. Internal financing should be used whenever possible to implement these alternatives.

FINANCING NEEDS

The first step in securing financing is to review the firm's monthly cash flow from operations statements. The least expensive way to finance less expensive pollution prevention technologies is to internally finance the capital outlays. However, this may not always be possible for vehicle maintenance facilities when purchasing aqueous washers or used oil furnace systems. Therefore, many firms will turn to their financial institution for financing more expensive projects. Pollution prevention initiatives that do not show quick paybacks may meet with some resistance from the lender. That is where the SBA's financial assistance program can be very useful to the business.

The largest financial assistance program is the SBA. The SBA has several programs that your firm may find useful in financing pollution prevention and/or reduction capital projects. The most common and largest program is the 7(a) loan guaranty program. The 7(a) program allows the SBA to reduce risk to lenders by guaranteeing the major portion of loans made to small businesses.

The eligibility requirements and credit criteria of this program are very broad in order to accommodate a wide range of financing needs. When you have put together the list of equipment that you need to purchase you will fill out an application for a loan with a lending institution. The lender will review the application and decide if it merits a loan on its own or if it requires additional support. Many firms will have little difficulty in obtaining the needed financing for their smaller projects, however, a firm with a significant level of debt already on their balance sheet may need the SBA loan guarantee before the financial institution will extend further credit.

The SBA can guarantee as much as 80 percent on loans of up to $100,000 (which will be sufficient for most pollution prevention projects). If the loan is more than $100,000, the guarantee drops to 75 percent up to a maximum guaranty of $750,000 (75 percent of a $1 million loan).

There are no balloon payments, prepayment penalties, application fees or points permitted with 7(a) loans. Repayment plans may be tailored to each individual business.

Most pollution prevention purchases could be financed over a period of 5 to 7 years. Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate as published in the Wall Street Journal on the day the application is received by the SBA. (Loans under $50,000 may have slightly higher rates.)

The SBA charges the lender a nominal fee to provide a guaranty and the lender usually passes this charge on to the borrower. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. On a loan with a maturity of one year or less, the fee is 0.25 percent of the guaranteed portion of the loan. On loans with maturities greater than one year where the SBA's guarantee is $80,000 or less, the fee is 2 percent of the guaranteed portion. The SBA requires that you pledge sufficient assets to adequately secure the loan.

Most pollution prevention projects will typically be less than $100,000 so the Low Documentation Loan (Low Doc) program may be the best means of obtaining reasonable financing with a minimal amount of paperwork. For firms with established relationships with lenders and meeting the lender's requirements for credit, Low Doc is a simple one page SBA application form with a rapid turnaround time. Like the 7(a) program, the SBA will guarantee up to 80 percent of the loan amount.

Most lending institution will require a projected cash flow statement, projected income statement and projected balance sheet. Examples are available from your local SBDC office.