



Allegheny Supports Our Vets

Shredding Industry

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REPORT

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Underground Vaults & Storage information destruction facility

Underground Vaults & Storage Staying Grounded in a Thriving Industry

Lee Spence and the founders of this thriving information storage and destruction company headquartered in Wichita, Kansas started from the ground up—literally.

In 1959, a group of Wichita businessmen had the idea to launch an underground storage company in a large salt mine in Hutchinson, the Carey Salt Mine. Lee joined the company in 1979 as a budding accountant, and 37 years later he operates as its president and CEO. But when he started, he and the other employees worked 650 feet below ground—in cool, dry conditions that are ideal for storing the 4 million square feet of paper records, data tapes, film, microfiche, sound recordings and other treasures for clients from 23 countries. “We have 45 acres of storage here, but 980 acres have been mined out—we’ve got plenty of room to grow. The salt member extends from Kansas to New Mexico. Fortunately, the space is excellent for secure storage: it’s protected against disaster—no earthquakes or floods—or deterioration. At the Hutchinson mine, humidity is 40% and it’s 68 degrees. Another storage is in a 400 foot-thick rock salt cocoon, making it one of the largest and most secure facilities in the world.”

Underground Vaults & Storage operates in four states, in a mixture of underground and above ground facilities. It provides secure storage

continued on page 2



Allegheny Shredders
THE SHREDDING INDUSTRY ICON SINCE 1967

Westmoreland County Blind Putting Allegheny Shredders to Work

The workers at this non-profit in western Pennsylvania could be the most enthusiastic users of Allegheny equipment anywhere. At Westmoreland County Blind Association, 70 to 80 sight-impaired and intellectually challenged persons shred about 6,000 pounds of paper a day, using 29 J-Series and two 10 Hp shredders with tip-pers. When you add hard drives to the mix that comes to 1.7 million pounds securely destroyed last year. And they love shredding.

continued on page 4

INSIDE

Interview with co-owners Jim and Tom Wagner	2
Greetings from Shredder Mom! by Evelyn Jefferson	3
The State of the Industry by Bob Johnson	4
The Vasak Vantage - Part Two Interview with Vlad Vasak	5
Allegheny Employee Profile: Chris Labik	6

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From Our Vantage Point: Jim Wagner and Tom Wagner



JIM WAGNER and TOM WAGNER, co-owners of Allegheny Shredders, Inc.

We're pleased to announce that business is bustling at Allegheny Shredders. This past year has been one of adjustment—operating without our father John at the helm—and lots of activity building new equipment.

In the last seven to eight months, R&D has been “crazy busy” developing new types of machines to shred electronics to smaller sizes. We’ve manufactured lots of hard drive shredders as more shredding service companies are adding this to their portfolio of offerings.

NSA has set the shredding requirements for government agencies—they’ve determined that solid state hard drives have to be destroyed to particle sizes no larger than 2 mm in any direction. So we’re developing equipment for that—Allegheny can achieve 2 mm destruction for solid state storage devices. It’s been a fun challenge to design and build equipment to meet greater security requirements. In the private industry, technology companies are looking for smaller particles as well.

On the paper end, we’re booming: from shredders to security grinders to balers, we’re as busy as ever. Crosscut shredders are seeing the demand for smaller particle size also, usually driven by customer demand.

“He would be proud of the adjustments we’ve made since his passing,” Jim said. “We’ve taken the time to look at the company in a new way, to make it more efficient and profitable. We’d never looked at the company, department by department, in depth before. This has enabled us to grasp the ‘whole picture’ that Allegheny encompasses and steer it forward effectively.”

This past year has been a learning curve for all of us. The two of us have had to adjust our roles and take on a tremendous amount of new responsibility. But our father prepared us well. And he left us with a company whose products are excellent, whose relationships with customers have always been enviable, and whose top priority is taking care of our customers, employees, and our community. The future is bright. ■

UNDERGROUND VAULTS *continued from page 1*

and management for healthcare, legal, financial, insurance, oil and gas, film industry and government clients; customized private vaults are available, including “private rooms,” maximum protection vaults, media vaults, drawer storage, and refrigerated vaults for film, sound recordings and sensitive media.

It also offers digital co-location services, where clients can house

Evelyn Jefferson came out to see us at our Wichita storage center, took a seasoned look at our space and Allegheny started to work on the design and construction of our complete shredding system.

their server in a disaster-proof data center, where employees and customers are always connected and data is always accessible.

With Allegheny’s help, UV&S has successfully moved into information destruction. “We previously outsourced our destruction service, but found it is a natural offshoot of storage. In 2014 we acquired Document Resources, which was using Allegheny equipment. We had increased our destruction volume by four times, so we needed more powerful equipment. Evelyn Jefferson came out to see us at our Wichita storage center, took a seasoned look at our space and Allegheny started to work on the design and construction of our complete shredding system.”

The result was a 30,000 square foot warehouse building for data destruction and storage, added on to a large

continued on page 8

Greetings from Shredder Mom!

It's been a year of transition for Allegheny, and I'm pleased to say we're doing very well.

Since John Wagner's passing his sons Jim and Tom are manning the helm skillfully and steering us in a positive direction. We're in it for the long haul. We all had a great teacher and we will maintain the legacy.

This year has brought a different focus—an absolute need for greater security throughout the information destruction industry. We've been busy developing new hard drive shredders producing a smaller shred size—we've sold several new models in the last year and a half. Our new machines can shred down to 2 mm. Last year we developed a divided head for our hard drive shredder. We've got a 3/8 inch head for solid state drives and 1½ inch shred width for hard drives.

So if you have any of these devices, including any device with memory—hard drives, solid state drives, circuit boards, cell phones, tablets—we now have a highly secure, efficient way to destroy it.

We've enhanced our paper line as well. We're offering new cross-cut machines: a 16-Series shredder that shreds 1/8 x 1 inch, and a 100-Series shredder that shreds 5/16 x 2½ inches.

The question is this: When shredding for profit, are customers willing to pay for the smaller piece size and added security? Some end



EVELYN JEFFERSON *Vice President Sales*

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users are definitely willing to pay. But providers have to maintain the balance between what the customer wants and what the client is willing to pay for. Whatever it is the shredding service decides on with their customer, Allegheny has the equipment they'll need!

You can never have too much work—I'm always looking for more customers! Our sales department is expanding and we've hired another team member.

Speaking of working, I've been traveling non-stop already this year... Shredder Mom does need a knee replacement and will schedule that in sometime this year, but I haven't had time yet! I did carve out some time

in the last year though to celebrate my 50th wedding anniversary—my wonderful husband and I enjoyed a trip to Hawaii!

Lastly, NAID's theme this year is "Commitment to Excellence." We're here to stay, and we're continuing the legacy of excellence, always staying ahead of the curve. John always looked five years out—he was a true visionary. And like NAID, he was always committed to excellence.

Can't wait to see you all in a few weeks!

XOXO

Shredder Mom

EVELYN JEFFERSON *is the Sales Manager at Allegheny Shredders. She can be reached at (800) 245-2497 ejefferson@alleghenyshredders.com*

UNDERGROUND VAULTS *continued from page 2*

storage facility. The project took five months to complete and was in operation by July 2015. It houses a 36-1000C high capacity shredder, an in-floor auto-feed system, HLS Tipper, output conveyor, a Maren auto-tie baler, a dust collection system, and an in-ground pit.

"The Allegheny system has lowered our labor costs—we have more production and efficiency without having to hire more employees," said Lee. "During an 8-hour period we destroy 35,000 pounds of material, and we run two of those shifts per day."

He is more than pleased with his Allegheny equipment. "We're night and day from where we were," he said. "It's given us a valuable drawing card to offer our customers—the total package, storage and destruction both. Our equipment has been very reliable. I can envision

continued on page 8

A Safe Place to Succeed

It's cliché to say that change is the only constant but the reason it's cliché is because it's true. And, as we have to keep reminding ourselves, change brings opportunity.

For the past 20 years, the secure destruction industry has expanded at a frenetic pace. While this expansion was welcome, it also forgave a lot of mistakes, often by individuals attracted to the opportunity who did not really understand what it takes to grow a stable, grounded business.

As the market for secure destruction services comes of age, it is beginning to move into a phase that favors those who know how to run a business. Not only do I predict that service providers operating on sound business practices will to very well, I expect a whole new generation of startups attracted by an stable marketplace that rewards solid operators. Business men and women who would have been scared away by an environment where customers did not discriminate and where competitors could just hang out their shingle, will get excited by a growing business opportunity where customers understand they are legally dependent and legally responsible to make sure their service provider has the necessary measures in place.

This market evolution is to be celebrated not feared. It should be embraced. In fact, the stable environment for secure destruction services that is emerging has opened the doors to a whole new opportunity and will be greeted by a new crop of entrepreneurs who understand a stable, sustained business opportunity is far better for the bottom line



BOB JOHNSON, Executive Director of NAID

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than a no-holes-barred, free-for-all.

For those reading this who may be considering entering this industry, and who are committed to solid business principles and rising to meet customers' emerging requirements, the secure destruction market has become a place where you can succeed and thrive. I firmly believe the opportunity presented by this changing landscape is perfectly suited for any business person willing to seize it, whether they are already in business or just starting out.

Of course, the other side of the coin is that operators that compete on price and are unwilling to do those things necessary to meet customer regulatory requirements will find

things increasingly difficult. They are operators who will make way for the new entrants. Maybe they are fine with that, maybe they will rise to the occasion. I hope it is the latter for their sake. ■

BOB JOHNSON is the CEO and Executive Director of NAID. He can be reached at rjohnson@naidonline.org

WESTMORELAND continued from page 1

Tim Miller, Executive Director at WCBA, sees his job as getting enough work to keep these folks busy. In addition to educating the community about eyes diseases—prevention and detection—the agency's mission is to improve quality of life for this population, through programs to enhance productivity and independence.

"Our documentation destruction service has 3,000 customers covering seven counties in Pennsylvania," Miller said. "In our secured facility, we shred and also offer 11,000 square feet of storage space—we stored over 8,000 boxes last year. And the proceeds all go back into the work program."

Allegheny is only minutes from WCBA, so it was easy to explore shredding as a work opportunity for the "consumers." "We started with one shredder and worked up from there," Miller said. "The team really enjoys the shredding because it is very satisfying work and they feel it's contributing to the environment. We use our machines more than average users—they're running a good 6.5 hours a day. Ninety percent of our consumers will shred at least once during the week."

Miller is a qualified spokesperson on how well Allegheny machines hold up. "Our consumers can be hard on the equipment," he said. "The motors can burn up, too much paper

continued on page 7

The Vasak Vantage

Part Two

In our 2013 newsletter, we featured one of our favorite industry gurus, and we thought we'd invite him once again to share his thoughts on current industry trends and the direction information management and destruction is heading. Vlad Vasak, one of the founding members of K-2 Partners, a Mergers & Acquisitions advisory company specializing in the Records and Information Management industry, has deep experience in all phases of the shredding industry in both North America and internationally.

Allegheny Shredders (AS):
How would you like to approach the current industry trends?

Vlad (VV): I'd break it down into three key themes. First is industry composition and consolidation - who are the players? Our industry keeps consolidating. Stericycle bought Shred-it last year, in a move aimed at capitalizing on cross-selling opportunities within the adjacent secure shredding and medical waste sectors. Previously, in 2014 Shred-it had merged with Cintas, another leading industry player, while Iron Mountain is in the final phases of the Recall acquisition. Other smaller companies are doing mini roll-ups... basically, everybody wants to buy somebody! I think as the market gets more saturated, the best way to get new clients will be to buy someone else's business.

We've seen it before—a large number of acquisitions, then a second



VLAD VASAK, Partner, K-2 Partners, LLC

The protection of information is becoming much more important. In the past, companies knew they needed to shred but there weren't big fines for non-compliance. As we've all seen, there are more rules and regulations over time and harsher penalties for not complying with them.

wind with lots of new people getting into the game. That tendency toward consolidation reflects a fact - there's still a lot of paper out there, but we can only have so many companies vying to shred it! Volume (tonnage) is still going up slightly; but revenues in the industry are probably closer to flat (not rising at same rate as tonnage). Services are getting cheaper. It's a typical cycle.

What are the reasons so many acquisitions are happening? First, it grows your business. Second, you become more efficient - profits can rise, even in a competitive market. With the Cintas/Shred-it merger, acquisition activity slowed a bit, then

Stericycle bought that business totally in 2015 - a double acquisition really. Amalgamations create lots of internal activity. Records Management is seeing a similar trend - consolidation but still some growth. All in all, we are moving toward fewer, but larger shredding service companies.

AS: What is the second element you'd like to focus on?

VV: External influences, such as market demands. The protection of information is becoming much more important - enforcement and penalties are increasing. In the past, companies knew they needed to shred but there weren't big fines for non-compliance. As we've all seen, there are more rules and regulations over time and harsher penalties for not complying with them. A large number of different agencies are overseeing and developing new security requirements. There's a need for these regulations - a single security breach can affect hundreds of thousands of people (Target security hack, etc.).

You've got federal and state government bodies creating regulations, as well as vertical sectors such as the credit card industry, mortgage industry, healthcare, and others. Now, that a tiny thumb drive can contain so much confidential information, you've got to be extremely careful. Businesses are forced to pay close attention to security matters. One large fine could drive a company out of business!

Some people say we need a smaller particle size to make information more secure - the Department of Defense standard is basically "dust" - but care is needed, to avoid creating commercially unworkable

continued on page 7

Allegheny Employee Profile: Chris Labik

Chris is a man of many talents, a trait that comes in quite handy and enables him to fit seamlessly into the bustling, cooperative atmosphere at Allegheny Shredders.

His main task is to service and install equipment, which takes him all over the country, occasionally for three weeks at a time. His two years with Allegheny have taken him to 37 states, where he's handled everything from installations to electrical issues, to parts replacements, to cutter repair. Once he fixed a coupler from a gearbox that had gotten a stress fracture and cracked.

"Clients are very glad to see me, because their equipment is down and they're not making any money!" he said. "Sometimes their mechanics work with me, and then take over. They help if they can, if they understand our equipment. The nice thing is, Allegheny's reputation is really excellent out there and it precedes me when I'm on the road. Clients know what they can expect from our equipment."

Chris graduated from with a BA in graphic design from La Roche College. He's mechanically inclined and mostly self-taught, though his father was a mechanic and blacksmith so he picked up a lot of the basics. He had a taste of masonry in college, and he's done roofing, construction and cooling. He's also cooked at fine dining establishments for three to four years.

All of which makes his time in



Chris's background includes everything from graphic design and cooking to mechanics, blacksmithing, electrical work and construction—a rare mix of talent and experience that allows him to handle any issue that comes up in an Allegheny installation.

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Allegheny's shop interesting — whether he's helping out with fixes, welding, or troubleshooting. That hands-on time carries over when he's educating customers about how they can maintain their Allegheny equipment in top condition, to save them time and money.

"I love working in the shop—seeing the transformation from raw steel into different working parts," he added.

Chris says everyone at Allegheny works hard, but is encouraged to enjoy whatever they're doing. "It's a comfortable environment, everyone gets along. I'd say it's like a family, close-knit. We all wear many hats and chip in and give a hand—Jeff Wagner was very helpful in training me to service the machines. In some work environments, you just stick to your

one job and aren't too connected to the company's activity as a whole, but at Allegheny I'd say we're more aware and involved and eager to play a role in making every aspect successful."

When not working, Chris enjoys hunting deer and small game. He's getting married in September, and his fiancée gets to enjoy his cooking (Chicken Marsala is a favorite).

And he's glad to be at Allegheny, enjoying the balance between traveling and seeing different walks of life—and then returning to the challenges of a busy shop. "The people at Allegheny—and the clients—are the best part of my job," he said. "They make it a great day." ■

CHRIS LABIK is a service technician at Allegheny. He can be reached at (800) 245-2497

WESTMORELAND *continued from page 4*

might be loaded at one time...our machines require more maintenance than they would normally require. But they've held up well—if I can get a good five years out of a shredder, I'm happy—but we get more than eight! And Allegheny's service team has been wonderful to work with."

At one point the opening on a J-45 had expanded a bit from so much paper being loaded—to a point that it was potentially dangerous. Allegheny added a 1 inch piece of steel at the bottom to bracket it so it couldn't become a hazard. That became a standard feature on their machines after that.

Also, they changed the configuration of buttons due to the constant turning on and off by the users "I guess we've been a guinea pig for them to try out modifications,"



Miller said. "I appreciate their creative solutions! The way we do things here is not always the most efficient, but that's not our goal."

WCBA is seeing business expand—they purchased another conveyor system in the last 15 months. "It's been a great way to provide work

for our people, and I've inspired five or six other agencies throughout the state to start shredding with Allegheny equipment," he said. "Evelyn, the Shredding Queen, has been immensely helpful to us. We recommend Allegheny all the time." ■

THE VASAK VANTAGE *continued from page 5*

specifications. There's a trade-off between shred size and machine throughput. NAID walks a razor's edge: the industry needs to be seen as taking care of the problem, but you have to ensure that regulations are not so unrealistic that nobody can comply with them. It's a real balancing act! Greater security, but achievable results.

I have to commend Allegheny for always looking ahead in this regard. It's an economic equation - you build a shredder of a certain size, and how much volume it can shred per hour makes a significant difference in your labor costs. Bottom line is, while you're dealing with confidential information, you always run the risk of it getting compromised, so you've got to take care of it no matter what.

There's also more focus on e-waste—and plenty more of it! Hard drives are everywhere, in computers and even photocopiers and fax machines. Service companies are adding hard drive shredding to their offerings.

AS: Can you address the third element affecting industry trends?

VV: The third factor is the media itself where the information is contained.

There's been talk of the 'paperless office' since the 80s and 90s. For a long time it was a myth, but it's happening now, cascading from the top. Is non-paper media more of a security

threat or less? Information is easier to protect if it's condensed - it's easier to store a large amount on a flash drive than the same amount on paper, but if it becomes compromised, the exposure risk is exponentially greater.

But the paper trail is long indeed... there's a huge amount of information on records management shelves. Even after paper is not as widely used, that long trail of documents will gradually need to be destroyed. With a 10-20-year retention span, that will take many years.

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continued on page 8

UNDERGROUND VAULTS *continued from page 3*

eventual shredding operations in our Louisville, Oklahoma City and Kansas City operations as well."

When asked about the trend in the storage industry, Lee said, "For a long time we have seen paper and data storage capacity growing at 40% to 60% per year. This won't change. The amount of data to be stored doubles about every two years. In 2015, the amount of data stored amounted to over 5 zettabytes. The trend now is to simplify things for the customer—making it easy to manage with quick access."

Is the industry seeing less paper and more electronics? "The predictions of paper's demise are greatly exaggerated," said Lee. "Paper is not only still here, but flourishing. How many offices continue to purchase printers, copy machines and the ink for these machines and even the paper to print on? Paper and documents will not go away.... we have had a long relationship with paper and having that record or document physically 'in hand' is still important."

Paper and electronic data records

With Allegheny's help, UV&S has successfully moved into information destruction.

"We previously outsourced our destruction service, but found it is a natural offshoot of storage."

can capably co-exist and support each other, he added. Since going paperless is an expensive proposition, companies must evaluate the cost factor to change over. More and more organizations are adopting a paper/electronic hybrid approach along with an ongoing program to eliminate unnecessary information in both the paper and electronic formats. This provides quicker and easier accessibility, better information control, and added backup insurance.

Business is growing for UV&S, particularly in the digital services arena. But lots of paper is coming in, too, along with film and tapes. The company continues to grow with acquisitions. The future is strong. Rock solid, you might say. ■

THE VASAK VANTAGE *continued from page 7*

offerings. Electronic asset disposition is becoming a significant business—deconstruction and component reclamation.

Another trend: Mobile shredding has become the way to enter the business with the least capital investment. But as a business grows, plant-based processing becomes more efficient. therefore, with ongoing consolidation, we might see a resurgence in plant-based destruction .

AS: Any comments to wrap it up?

VV: Ours is an evolving industry. As a service industry, it has to keep evolving to meet its customers' requirements, or it becomes irrelevant. We'll hopefully always be adapting to changing needs...such as regulatory pressures, greater need for security, etc. Or we'll create new needs! ■

VLAD VASAK is a Founding Partner of K-2 Partners, a Mergers & Acquisitions advisory company. He can be reached at: vlad.vasak@k-2partners.com



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