

TO:
Senators Sher, Romero, Kuehl, Figueroa
Assembly Members Steinberg, Pacheco, Jackson, Chu, Koretz, Leno, Levine, Lieber,
Montanez, Pavley, and Wolk

Assembly Natural Resources Committee, ES&TM

SB20

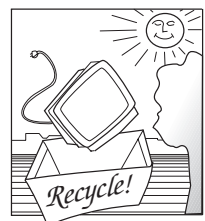
COLLECTIONS & COLLECTIONS FINANCING: A SYSTEMS APPROACH

The following comments focus on two critical aspects of the SB20 E*Waste System: **Innovative Collections** and **Working Collections Financing**. In doing so, this letter will also address a difficult trend in the Bill so far – that proposed collections mechanisms are demonstrably inadequate to the task, and unfair to local community groups and nonprofits who might otherwise be productively engaged in the work of collections. This letter will point out a perverse incentive on the part of the state to implement a weak E*Waste collections system.

Advisors:
Materials for the Future
Foundation

BitBuckets
PO Box 20740
Oakland, CA 94620

contact:
Brian Hamlin
iee@screenlight.com



Collections Financing Is The Number One Issue On The Streets

* *Total costs for E*Waste programs vary 2-10 times in the E.U. right now*

* *Collections are one third to one half of the total reclamation cost*

Hewlett-Packard Testimony, 07 July 2003

CA Asm. Natural Resources Committee

Local government has testified again and again that financing is the number one issue; that these new E*Waste programs cannot be absorbed into existing budgets; fully, partially, at all. As local government's province, any proposed state fee structure must be sufficient and adequate to the task of collections. Fund dollars must be effective, directed and transparent.

Collections Are By Definition Local

Good collections design is cheaper *and* more effective. The SB20 framework must follow-through on a plurality of collections programs, **not just local monopoly contracts.**

Consumer E*Waste collections are costly, diffuse, and labor intensive. No blueprint for collections will succeed without maximizing the contributions of thousands of decentralized, autonomous participants.

Plurality of Collections Programs Is Essential

One collections system will not work for all people in all contexts – language, geography and consumer motivations differ substantially.

“The legislation must be written to encourage solid waste haulers, retailers, manufacturers, and nonprofit organizations to become involved in the collection and recycling of e-waste by providing them cost reimbursement. The solution to proper management of e-waste is not through local governments, but through the cooperation of all who currently handle electronic products”.

Timothy C. Grogan, Hazardous Waste Program Manager
County Of Orange, Integrated Waste Management Department

Rephrased, the solution to proper management of E*Waste is not through just solid waste industry collections, either. Plurality of programs includes large solid waste companies *and* local community based organizations. In all facets of collections, SB20 must not rely solely on the largest waste haulers.

What Are The Criteria For Effective And Adequate Collections?

“Must computers and TVs take a one-way trip to the dump? Or will the high-value resources of which these products are made be used again?”

Action Plan for the Western Electronic Product Stewardship Initiative
August, 2002

“It is important to have a regulatory driver which stimulates collection but which does not threaten the charities and small third party handlers.”

Electronics Re-Use and Recycling Infrastructure Development in Massachusetts
September 2000 EPA-901-R-00-002

Adequate collections must:

- significantly address the magnitude of the E*Waste problem
- move increasingly higher overall volume of collected E*Waste to meaningful end-of-life programs, not just disposal
- certify waste processors
- strictly enforce export laws

Effective collections means:

- encourage and stimulate a hierarchy of End of Life options: reuse, resale, parts; recycling; responsible disposal
- create a framework for collaborative efforts where possible, and distribute monies to the plurality of participants critical to these goals

Working Collections Financing means:

- fewer moving parts in the system,
i.e. fewer layers of management before funds meet programs
- timely payments throughout the system
- public transparency of fund management, and oversight of fund decisions
- receipt of funds by local government & local programs in proportion to their mandates

SB20 Framework Implementation

Transparency of ARF Fund Management

SB20 Advance Recovery Fees and Advance Recycling Fees are not meant to be a general source of income for the state; they are intended to solve a pressing problem. As such public transparency of fund management ought not to present any problem to CIWMB.

Advisory Board Seat for Nonprofits

Any CIWMB advisory committee formed under SB20 must include a representative from the nonprofit or environmentalist communities.

Magnitude Of The E*Waste Problem – Conflicting Testimony

What programs might be adequate to the scale of the E*Waste problem ?

As the saying goes, informed people disagree. One point stands out, however. In the US EPA study on Municipal Solid Waste, 2000, figures for disposal of video products, including CRTs, indicate an expected volume of **more than 3 million discards per year in CA**, and growing. CIWMB cites 5 million annually.

Matsushita Electric Corporation of America (better known for its Panasonic brand name), testified before the CA Asm Committee on Natural Resources on July 7, 2003, that the “real” number of CRTs that California is likely to recycle, i.e. contribute to state created collections programs, is closer to **828,000** than 3 million. Drawing upon the experience of the Massachusetts CRT recycling program and applying their figures yields just a little more, **940,000 CRTs per year**.

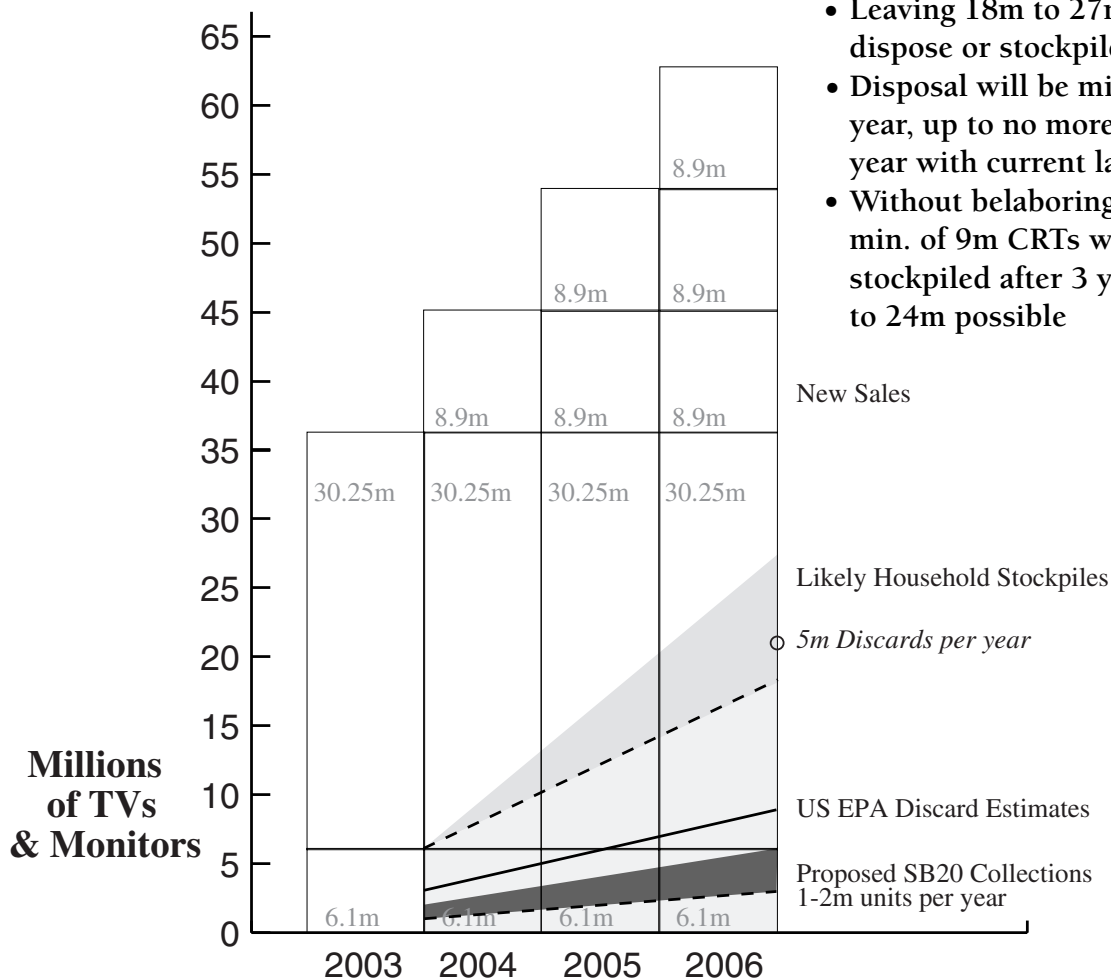
Why the disparity ? One reason may be that all collections systems to date continue to be inadequate to the task of collections, and that consumer behavior is not yet changed to fully adopt to the systems that are in place.

SB20 as it stands suggests that collections of roughly 1-2 million CRTs annually, plus other E*Waste, implemented without fundamentally new approaches, managed from the top down, with fund dollars accumulating and dispersed at unclear intervals, will be sufficient to address the E*Waste problem. Predictions amongst proponents are being made that these programs will clear up accumulated E*Waste in about 3-4 years. Starting in 2006, recycling targets will take affect, based on roughly 50% of the volume of previous year's new sales.

Problem. Here are figures right now:

fig.1 the impending avalanche

- 6.1m stockpiled, 30.25 in use in 3 years, new sales add 8.9m per year to total over 60m in CA.
- Assume "CRTs in use" grows: between 36m and 45m.
- Leaving 18m to 27m CRTs to dispose or stockpile
- Disposal will be min. of .8m per year, up to no more than 3m per year with current language
- Without belaboring boundaries, a min. of 9m CRTs will be stockpiled after 3 years, with up to 24m possible



Source:
Selected E-Waste Diversion in California: A Baseline Study
November 2001 CIWMB

Collaborative Efforts – Participation Of Local Community Groups, Nonprofits And HHW

California's local government electronics recycling programs are in their infancy and are evolving rapidly... 78% of the local electronics recycling programs have started up since April 2001.

Meeting California's E-waste Challenge: A Survey of California Local Government Electronics Recycling Programs
Sept. 2002 Boisson & Assoc. for CIWMB

New, innovative and cost-effective collections systems are key to the E*Waste problem. The SB20 framework must address collections from a systems point of view, enabling emergent best practices, and enforcing minimum standards and compliance. The system must be inclusive of a plurality of local collections programs, **not reliant solely on local monopoly contracts.**

Emergent best practices ?

No one has yet designed the perfect E*Waste collections program. Existing solid waste companies are ramping up for collections and disposal, but **relying on big solid waste industry collections is not enough.**

SB20 must include small business and nonprofits as a vital part of the real solution to the growing E*Waste challenge – not as an afterthought, or beholden to powerful, centralized private sector entities for payment.

A Level Playing Field – Pay the Smaller Players Regularly

It is **unfair** to structure fund allocation in such a way that small business and nonprofits must wait at the end of the line indefinitely.

Companies and nonprofits with demonstrable success must receive funds directly, and on a regular basis.

Timely payment is not 'too hard', or impractical. There is a new tool to handle just this kind of problem – **the Internet**. SB20 makes no mention of any systems that might reduce transaction costs, distribute incentives efficiently, or enable emergent best practices.

This situation is particularly egregious if, as proposed here, the system is generally weak, or funds get 'stuck' in layers of management. Without oversight and public input the end of the line may never get to the door.

Caveats

There is a tension between payments to local business and a desirable system property of paying only on E*Waste received at a qualified processing center. Community consolidation points who are able to engage in 'cherry picking', trading and selling of end of life materials, ought not be paid state dollars for the collections of those goods. This concern is addressed in a separate document.

There is also a tension between local collections programs, and a single, consistent message to the consumer on how to handle E*Waste – the nature of a statewide E*Waste campaign. This tension is addressed in a separate document.

Perverse Incentive

The state is in a fiscal crisis.

SB20 proposes to create a fee associated with each sale of a covered electronic device. That money accumulates in a state fund. Projected sales are as follows:

Table 10
California Sales Data (units shipped in millions)

	2001	2002	2003	2004	2005	2006
Televisions	3.33	3.29	3.35	3.40	3.46	3.52
Monitors	5.36	5.45	5.56	5.51	5.44	5.37

Source:
Selected E-Waste Diversion in California: A Baseline Study
November 2001
CIWMB

In addition, tens of millions of dollars more annually will be raised as a result of sales of other covered devices, depending on final fee schedules..

If the state legislates weak systems of collection, collections expenditures are less and less money is paid out for processing. At the same time, the fund continues to grow based solely on new equipment sales. **This creates a 'perverse incentive' to allow weak programs to continue** for the foreseeable future, effectively allowing the buildup of stockpiled CRTs and E*Waste, already the pattern of consumers, to continue.

By establishing recycling and diversion targets that incentive is ameliorated, if and only if those targets are aggressive and enforced.

There is a systems problem to be aware of in that those governed by such targets will be in effect competing for collections or processing volume. This is counterproductive when forces are mismatched, as in the case of established industry agents and small business or local nonprofits. This tension is not irreconcilable, but needs to be managed through choices in policy.

Summary

* Substantially addressing the scope of the E*Waste problem requires a systems approach, **not just local monopoly contracts to Solid Waste Industry.**

* **A Perverse Incentive exists to implement a weak collections system.** This incentive can be ameliorated through enforced targets and policy decisions.

* Good collections design results in lower cost systems, with higher volumes.

* **The Internet** can be used to distribute information effectively, and enable fast, reliable payments to certified community level players.