

WMMFA Member Manufacturer invoice – Quarter 3 - 2009

This Invoice represents your share of anticipated expenses for the 3rd quarter of 2009 for electronics recycling in Washington State per Chapter 70.95N RCW

INVOICES ARE ISSUED QUARTERLY FOR THE FOLLOWING QUARTER'S ANTICIPATED EXPENSES

For the remainder of 2009 member manufacturer (currently all manufacturers that sell products in Washington State) quarterly invoices will be based on market and return share of CEP product weights using the formula:

$\text{Member quarterly cost (invoice)} = \text{Total authority cost per qtr} \times [(50\% \times \text{return share \%}) + (50\% \times \text{market share \%})]$

Return Share Manufacturers are already assigned a return share by Ecology. Information concerning each manufacturers return share, and how the return shares were established can be located at: <http://www.ecy.wa.gov/programs/swfa/eproductrecycle/returnShare.html>. Return shares as currently provided by Ecology are to be used for all of the 2009 invoices per the standard plan financing policy. Statistical sampling of brand names and weights of products returned for recycling under the plan has begun. The WMMFA board will review actual sampled data for brand name / weights in the 3rd quarter to discuss options for 4th quarter 2009 and 2010 return share base for invoicing.

Market Share data for purposes of calculating invoice amounts was calculated by converting unit sales data by manufacturer for the top 43 manufacturers (96.6% of the market) by each CEP product line into weights based on the current average weight of each product line as confirmed by sampling. The remaining manufacturers (169 each representing 3.4% of the total market share) were invoiced using the same formula except Ecology tier data was used for assigning market share.

How market share data was obtained and used:

The Authority sought proposals and quotes from several market research data firms before agreeing to purchase market share data from NPD group. NPD is a marketing research firm. The data the authority purchased from NPD identified unit sales by CEP for the top manufactures within several product categories including LCD, CRT, Plasma TV's and monitors, PC towers, and, 4 sizes of Laptops. Sales in units were obtained for the time period July of 2007 through June 2008. The data obtained from NPD represents 65-70% of total CEP sales within the US. Sales data to certain retailers, internet direct sales, and sales specifically to larger covered entities was not obtainable through market research firms so the Authority used Ecology tier data that accounted for unit sales to covered entities and included retail unit sales data unavailable from most market research firms as a base to place manufacturers relative to one another across several tiers (1-3 as defined by Ecology). Unit sales data obtained from the market research firm was converted to weight using a sampling of weights of 10 each devices across 13 CEP product types (6 TV, 2 monitor, 4 laptop, 1 PC tower). Market share percentages were then established based on the sum of all manufacturers weights within what Ecology calls Tiers 1-3 (Top 43 manufacturers). This invoice represents allocation of cost by market and return share weights.

Tier data from Ecology used multiple sources of data to establish tiers that account for retail sales through more retail outlets directly to covered entities (households, small governments, school districts, special districts, and small businesses). Ecology's data is also intended to represent Washington State figures only. For this reason the Ecology data was used as a base for determining the total share for all participants among tiers 1-3, and tiers 4-7. Only 4 manufacturers within the Top 43 brands (representing 96.6% of the market) responded to the Authority's request for market share information. Without compliance from all, or, at least most manufacturers with this request, data supplied by manufacturers could not be utilized as a basis for market share determination as a total market share number could not be derived.

Relevant Facts:

- WA State Dept. of Ecology ranks manufacturers into market share tiers, based on CEP **unit** sales.
- WA State Dept. of Ecology ranks manufacturers by return share, based on estimated CEP **weights**.
- Since the plan pays for CEP collections, transportation, and processing on a per pound basis it is reasonable that charges passed on to manufacturers are applied to all share pounds sold (market) and returned (return), as reasonably determined by using all data practically available. This is the policy adopted by board vote approval.
- 96.6% of unit sales market share of CEP's to covered entities, is represented within tiers 1-3, representing 43 of 217 manufacturers currently in the plan.
- Ecology tier data is based more specifically on CEP sales to entities "covered" by the law. it is used only as a reference to place 96.6% of the market share with the top 43 manufacturers. Market share owned by smaller manufactures in tiers 4-7, as defined by Ecology, is shared among manufacturers not identified in purchased data.
- By using a combination of Ecology tier data as a base and conversion of units to pounds using NPD market share data within CEP categories the cost allocation by ranking within tiers (1-3) was eliminated. This resulted in a proportional share of program cost, based on the market share component, to shift to manufacturers with high unit sales of heavy products.

Dear WMMFA Member Manufacturer – Washington State Electronic Recycling,

If you are receiving this invoice you are a member of the Authority and are being billed for your share of anticipated third quarter 2009 expenses of the Authority to pay service providers (collectors, transporters and processors) of the electronic product recycling plan effective January 1, 2009.

FAQ's:

Q: How were total expenses for the authority, a part of which I share, determined for this quarter?

A: The State (or "Standard") plan which the authority operates collected 6.5 million pounds of CEP's for the two month period ending February 28th 2009. Based on an analysis of the collector network, seasonal and other factors, the authority anticipates, and therefore has budgeted for, a 7% increase in the 3rd quarter over actual 1st quarter volumes. This places volume estimates for the 3rd quarter at 9.9 million pounds. The Authority's cost per pound through 2 months = 24.1 cents per pound. Administrative expenses are budgeted at 7.2%; operational expenses budgeted at 92.8% of the total. This invoice also contains a charge for one half repayment of a \$500K loan from the Department of Ecology for establishment of the WMMFA. A reserve of 17% was added as a safety reserve in case actual pounds received are greater than estimates. After this quarter all costs associated with the Authority's start up, "sunk" costs, will be fully paid and behind us. All future invoices will reflect only current operational and administrative expenses. Based on the 2 months history the Authority has lowered reserve requirements from the average of 28% to 17%. We hope to lower reserves in the future as more volume data by quarter is obtained.

Q: Will each quarter's invoice be about the same amount?

A: It depends on the actual volume of CEP's received verses the projections. This program begins actual collections in January of 2009. With only two months of history we have projected volume totals for 2009: 1st qtr 24.2%, 2nd qtr 26.6%, 3rd qtr 25.8%, 4th qtr 23.4%.

Q: Are all manufacturers paying their share?

A: 92% of the total amounts of 1st and 2nd quarter invoices has been collected to date. The Authority anticipates 96.5 % paid by mid April.

Q: What if the plan receives more, or less, pounds than anticipated this quarter, or in future quarters?

A: The invoices for next quarter will reflect any shortfall or surplus in funding as a result of actual vs. projected pounds received. The Authority is an instrumentality of the State to carry out electronic recycling. All collected funds will go to cover expenses.

Q: What will my invoice amount be next quarter?

A: The budget approved for manufacturer invoices in the 4th quarter is 16% less than this 3rd quarter invoice.

Q: How was my share of total expenses determined?

A: See the enclosed attachment or visit our web site at www.wmmfa.net at the manufacturer's link – financing policy for general policy information.

Q: Are there penalties for a member's late or nonpayment?

A: Washington State Department of Ecology is responsible for any enforcement action under the law, which could include penalties assessed against members who fail to pay their fair share of the costs of the WMMFA Standard Plan operations. A 3% late charge is applied to past due invoices. Compliance and enforcement for violations of the Ecology approved Standard Plan are outlined in Chapter 173-900 Washington Administrative Code.

Q: Why do I receive an annual invoice from Ecology in addition to one from the Authority?

A: Fees are established by Ecology in amounts to fully recover and not to exceed expenses incurred by them to implement 70.95N RCW. More information about the RCW and WAC can be obtained at <http://www.ecyclewashington.org/>

Q: May I appeal my assessment of charges? Per WAC 173-900-997

A: Appeals: Any manufacturer participating in the standard plan may appeal an assessment of charges or apportionment of cost as collected by the authority. The manufacturer must pay their charges or apportionment to the authority and submit a written petition to the director of the department of ecology within fourteen calendar days of receipt of notification of charges or apportionment. The written petition must include proof that:

- > The authority's assessments or apportionment of costs were an arbitrary administrative decision.
- > An abuse of administrative discretions is proven; or
- > It is not an equitable assessment of apportionment of costs.
- > Within thirty calendar days of receipt of the written petition, the director or the director's designee will review the appeal.
- > The director will reverse any assessments of charges or apportionment of costs if the appeal is determined to be correct.

Q: Who manages and oversees the Authority?

A: The Authority is managed by an Executive Director. Governance is provided by an 11 member board of directors composed of representatives of manufacturers and one retailer (at this time). Two additional members on the board from Ecology and Department of Community, Trade and Economic Development carry no voting rights and serve in an advisory capacity. The Department of Ecology provides oversight in compliance areas of the recycling plan and the rules of law.

Please visit our web site or contact us directly for additional information.

Regards,

John Friedrick Executive Director, WMMFA