

## WMMFA Member Manufacturer Invoice – Quarter 1 - 2011

The enclosed invoice represents your share of expenses for the 1st quarter of 2011 for electronics recycling in Washington State per Chapter 70.95N RCW

INVOICES ARE ISSUED QUARTERLY FOR THE FOLLOWING QUARTER'S EXPENSES

This is the first member (currently all manufacturers that sell CEP 's in Washington State) quarterly invoice for electronics recycling expenses to be incurred in 2011. Each manufacturer's calculated share is based on market and return share of CEP product weights using the formula:

$$\text{Member quarterly cost (invoice)} = [(60\% \times \text{your market share \%}) + (40\% \times \text{your return share \%})] \times \text{Total Q1 plan expenses}$$

**Return Share** Return Shares for this invoice, and future invoices, will be based on actual sampling done in Washington State per WAC 173-900-900. Sampling began January 1, 2009 and will continue indefinitely. A 3 year rolling average of return share data will be used as the basis for statistics, once 3 years of sampling is obtained (WAC-173-900-900). The basis for return share percentages on this invoice with allocations by brand name are based on *the Final 2010 Shares for Electronics Manufacturers* sampling results obtained on sampling conducted January 1, 2009 through December 31, 2009. The sampling data with brand name and orphan assignments can be viewed at the WMMFA web site [www.wmmfa.net](http://www.wmmfa.net) at the manufacturer link-> 2009 full year... Q1 2011 return share data.

**Market Share** Market share data by manufacturer is obtained from 3 sources:

1. **POS cash register** sales data in units by each manufacturer as reported via NPD group research from brick and mortar retailers representing 65-70% of all US retail sales.
2. **Manufacturer self reported** sales in pounds of all CEP's to covered entities as defined in the law – nationally and specific to Washington State.
3. **Consumer Research data** from on-line surveys of consumer panels (NPD Research) composed of a pool of 35,000 consumers polled weekly. Surveys reveal brand name and purchases in units and a percentage of total of all brand/manufacturers with survey results across the same 13 covered product categories used within the POS data set.

How market share data was obtained and used:

The Authority sought proposals and quotes from several market share research data firms before purchasing market share POS and consumer research data from NPD group. The POS data the authority purchased identified unit sales by CEP for the top manufacturers within 13 CEP product categories including LCD, CRT & plasma TV's and monitors, PC towers, and 4 sizes of laptops. Sales in units (POS) and percentage of total units (survey) were obtained for the time period July of 2009 through June 2010. Unit sales data obtained from all sources listed was converted to weight using a sampling of weights of 10 each devices across the 13 CEP product types (6 TV, 2 monitor, 4 laptop, 1 PC tower). Since not all manufacturers provided their market share data and since sales through brick and mortar sales channels excluded internet and direct sales to covered entities by manufacturers the authority supplanted POS data with the consumer panel research data. Market share percentages were then established based on analysis of each market share source of all manufacturers' CEP sales weights within each data set listed (1-3) above.

Only 16 manufacturers within the Top 36 brands responded to the Authority's request for market share information in 2010. Without data provided from all, or, at least most manufacturers in the top 36 market share positions data supplied by manufacturers could not be utilized solely as a basis for market share determination because a total market share number (pool of total pounds) could not be derived. Market share percentages for smaller manufacturers (tiers 4-7 as defined by ecology) that was not identified in purchased data (POS or consumer), and not self reported by the manufacturer, was determined by spreading unaccounted for market share equally among members within each tier.

The WMMFA financing policy of basing an individual manufacturer's share responsibility on a "split" with components of market and return shares evolved over time based on input from manufacturers. With a plan that must allocate expenses to over 200 member manufacturers the WMMFA sought to provide a "best fit" for each manufacturer - overall - that attempted to provide equitable sharing based on pounds attributable to a manufacturer that were actually being currently recycled with a component that also tied current sales of devices subject to eventual recycling costs. Future expense allocations may change over time based on membership input and updated information as this plan, and other approved plans, evolve.

Common member FAQ's are listed on an attachment with this invoice. If you have any additional questions please contact the WMMFA: E-mail: [jfriedrick@wmmfa.net](mailto:jfriedrick@wmmfa.net) or at phone: 1-866-779-6632

**FAQ's:**

If you are receiving this invoice your organization is a member manufacturer of the WMMFA. The WMMFA is the organization mandated by Washington State law to implement and operate unwanted electronics recycling in Washington State. The WMMFA is governed by a Board of participating member manufacturers and 2 ex-officio representatives.

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

A: The manufacturer governed State (or "Standard") plan which the Authority operates will have collected approximately 39 million pounds of CEP's in 2010, the second year of operations for the WMMFA. This volume is nearly the same as what was collected in 2009 - the initial year of operations. Based on an analysis of our collector network, seasonal factors, and outreach efforts the Authority anticipates, and therefore has budgeted for 9.8 million pounds of collected devices for the 1st quarter of 2011. The Authority has built in reserves in the amount of 4% of budget for 2011 Q1 invoices. Surplus reserves, if any, will be adjusted back to manufacturers through future invoice credits. The Authority's actual cost per pound for 2010 will be approximately \$.249 per pound vs. \$.244 for 2009 - full year. The increase is due primarily to a slight increase in processing expenses and annual accounting fees. Administrative expenses (labor, office, misc) were 3.5% of total expenses for 2010.

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

A: Variance in invoice amounts has been less than 13% per quarter. We anticipate less difference/variance for each of the Quarterly invoices in 2011. An individual manufacturer's amount may change if return share sampling updates show a surge in brand owned product pounds returning to the recycling stream, or if processing expenses increased dramatically - this would be unlikely however.

**Q: Are all manufacturers paying their share?**

A: 98.5% + of the total amounts due on all manufacturers' invoices issued to date have been collected. Approximately 70% of uncollected amounts are due to bankruptcies. Manufacturers that do not pay are banned from selling products in the state and are fined by the Dept. of Ecology. Enforcement of any actions taken for non-payment is at the discretion of the Dept. of Ecology.

**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. Reserves are used to fund unanticipated volume and processing expenses and are kept at a minimal level. For 2010 the Authority expects to end the year with less than 4% of a reserve - on all paid invoices.

**Q: What will my invoice amount be next quarter?**

A: The next invoice will be for the 2nd quarter of 2011. Invoice terms are always Net 60. Individual manufacturer's invoices should vary less than 10% per quarter unless anticipated CEP collections volumes or processing costs change dramatically from quarter to quarter.

**Q: How was my share of total expenses determined?**

A: Your share was computed using the formula outlined on the back of the enclosed invoice. You may visit our web site at [www.wmmfa.net](http://www.wmmfa.net) and go to the manufacturer's link for a listing of documents that contain more comprehensive share 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 by the WMMFA. 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 quarterly from the Authority?**

A: Registration 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/>. The Authority is the manufacturer operated (via Board governance) organization that implements and operates the approved State electronics recycling plan.

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

A: Any manufacturer participating in the standard plan may appeal an assessment of charges or apportionment of cost as invoiced 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 (invoice) or apportionment of charges. 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 (of Ecology) 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. Members are chosen by the Director of Ecology, comprised of representatives of manufacturers and one retailer (at this time). Two members of the board, one from Ecology and one from the 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 at <http://www.wmmfa.net/> or contact us directly for additional information.

Regards,  John Friedrick, Executive Director, WMMFA