

WMMFA Member Manufacturer Invoice – Quarter 3 - 2010

The enclosed Invoice represents your share of expenses for the 3rd quarter of 2010 for electronics recycling in Washington State per Chapter 70.95N RCW

INVOICES ARE ISSUED QUARTERLY FOR THE FOLLOWING QUARTER'S EXPENSES

This is the third member (currently all manufacturers that sell products in Washington State) quarterly invoice for electronics recycling expenses to be incurred in 2010. Each manufacturer's calculated share is based on market and return share of CEP product weights using the formula:

$$\text{Member quarterly cost (invoice)} = [(55\% \times \text{your market share \%}) + (45\% \times \text{your return share \%})] \times \text{Total Q3 plan expenses}$$

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 *preliminary* 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 at the manufacturer link-> [2009 full year preliminary return share data](#). The change from sampling data from other states, now several years old, to current sampling data, as used for this invoice was implemented to integrate more accurate and current return share data into invoice calculations.

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 2008 through June 2009. 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 12 manufacturers within the Top 35 brands responded to the Authority's request for market share information in 2009. Without data provided from all, or, at least most manufacturers in the top 35 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) 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 based on input from manufacturers since plan design, and over time. 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 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.

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 collected 38.5 million pounds of CEP's in 2009, the initial year of operations for the WMMFA. Based on an analysis of our collector network, seasonal factors, and outreach efforts the Authority anticipates, and therefore has budgeted for 10.8 million pounds of collected devices for the 3rd quarter of 2010. The Authority is operating at approximately 15% under budget through the 1st 4 months of 2010, based on less volume realized than projected for Q1 and Q2. Therefore there will be no reserve component to the 3rd quarter (this) invoice. The Authority's actual cost per pound through the 1st 4 months of 2009 was 25 cents per pound compared to 24 cents per pound for 2009. The increase is due primarily to an increase in processing expense. Administrative expenses through the 1st 4 months of 2010 were 5.3%, operational and return share sampling expenses 94.7% of total expenses.

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 and the volatility of processing costs – in particular. This program has one year of experience and collection history with our established collection network. WMMFA operations began January 1, 2009. There is a degree of uncertainty to forecasting collection pounds and processing costs due to several external factors – including ease of entry into the program by potential collectors and available options for processing CRT glass.

Q: Are all manufacturers paying their share?

A: 97% of the total amounts due on all manufacturers' invoices to date, from state registered manufacturers, have been collected to date. Approximately 60% 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 2009 the Authority ended the year with less than ½ of 1% of a reserve - on all paid invoices - in the bank

Q: What will my invoice amount be next quarter?

A: The next invoice will be for the 4th quarter of 2010. The 4th Qtr 2010 budget will be finalized sometime in August and issued around mid September. Invoice terms are always net 60. Individual manufacturer's invoices should be similar in amount – each quarter of a program year.

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 and go to the manufacturer's link for a listing of documents that contain more comprehensive 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: 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: 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 Friedrich, Executive Director, WMMFA