

WMMFA Member Manufacturer Invoice – Quarter 4 - 2014

The enclosed invoice represents your share of expenses for the 4th quarter of 2014 for electronics recycling in Washington State per Chapter 70.95N RCW

INVOICES ARE ISSUED QUARTERLY FOR THE FOLLOWING QUARTER'S EXPENSES

This is the fourth quarterly member manufacturer (currently all manufacturers that sell covered electronic products (CEP's) in Washington State) invoice for 2014. The next invoice you receive will be for Q1 2015. Each manufacturer's calculated share for 2014 is based on total market and return share of CEP product weights using the formula:

Member quarterly cost (invoice) = [(80% x your market share %) + (20% x your return share %)] x Total budgeted plan expenses

Return Share for all invoices through plan year 2015 will be based on actual sampling of brand names and weights turned in for recycling in Washington State per WAC 173-900-900. Sampling began January 1, 2009 and will continue through 2014 with data being used for invoices through 2015. There is no return share component of a manufacturer's share after 2015. The basis for return share percentages on this invoice with allocations by brand name are based on *Final Shares for Electronics Manufacturers* sampling results obtained by sampling conducted January 1, 2013 through December 31, 2013. The sampling data with brand name and orphan assignments can be viewed at the WMMFA web site www.wmmfa.net at the [manufacturer](#) link, or, click here --> [2013 preliminary Full year return share data](#).

Market Share data by manufacturer is obtained from 3 sources:

- 1. POS cash register** sales data in **units, converted** to pounds as described below, for each manufacturer as reported by ERCC from sources including NPD (TV) and IDC (monitor, computer, tablet, and e-reader) from brick and mortar retailers representing 65-70% of all U.S. retail sales between July 2012 and June 2013. IDC data breaks out market segment data by: home, education, small office and small business.
- 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. (where voluntarily provided by the manufacturer)
- 3. Consumer Research data (TV only)** from on-line surveys of consumer panels (NPD Research) composed of a large pool of consumers polled weekly. Surveys reveal brand name and purchases in **units** and a **percentage of total** of all brand/manufacturers.

How market share data was obtained and used:

Traditionally the Authority has sought proposals and quotes from several market share research data firms before purchasing market share data. This year the authority purchased discounted data from the ERCC (Electronics Recycling Coordinating Clearinghouse). Unit sales data obtained from all sources listed was converted to weight using a sampling of weights of 10 each devices across the 16 CEP product types (6 TV, 2 monitor, 4 laptop, 1 PC tower, 1 e-reader, 1-tablet, 1-portable DVD player). 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 supplemented POS data with the consumer panel research data as provided by ERCC. Market share percentages were then established based on analysis of each market share source of all manufacturers' CEP sales weights within each market share data set listed (1-3) above.

12 manufacturers within the Top 20 brands (by total market share weight) responded to the Authority's request for market share information in 2013. Without data provided from all, or, at least most manufacturers in the top 32 market share positions data supplied by manufacturers could not be utilized as the only basis for market share determination because a total market share number (pool of total pounds) could not be derived. Market share information derived or provided by a manufacturer is considered confidential and is not shared with the WMMFA board or other manufacturers.

The WMMFA financing policy of basing an individual manufacturer's share responsibility on a "split" with components of market and return shares was established at start up. With a plan that must allocate expenses to over 170 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 with brands currently entering the recycling stream (return share) with a component that also tied current sales (market share) of devices subject to eventual recycling costs. The future sharing of expenses as established by the Board of the WMMFA calls for a transition to 100% market share (by weight) allocation by 2016. For 2015 the share allocation will be 90% market share and 10% return share based. Legislation passed in 2013 requires that the WMMFA standard plan and any independent plans use market share as the basis for determining manufacture shares going forward (2016 and beyond).

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 and 2 ex-officio (non-voting) 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 budgets for the collection of approximately 44.8 million pounds of CEP's in 2014. This volume is budgeted to be 1-3% LESS than what was collected in 2013 due to decreased volume Jan-July 2014. Based on an analysis of our collector network, seasonal factors, and outreach efforts the Authority has budgeted for collection of 11.7 million pounds of covered devices for the 4th quarter of 2014. The Authority's actual cost YTD July 2014 was \$.267 per collected, transported and processed pound. Cost for full year 2013 was \$.26 per pound. Administrative expenses (salaries, labor, office, and misc.) were 3.2% of total expenses for 2013. The Authority has built in reserves in the amount of 9% of budget for the 2014 Q4 invoice. It is the goal of the WMMFA to keep reserves at the absolute minimum required to maintain operations.

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

A: An individual manufacturer's invoiced amounts may change based on seasonal volume changes in materials returning for processing, or, if expenses increase or decrease dramatically. We did experience a decrease in collected pounds of 5% + FOR Jan-July 2014. As a result the Q4 2014 has been reduced to reflect lower anticipated volume. Although it is difficult to estimate consumer action the WMMFA does not anticipate as much volume volatility for the remainder of 2014 other than the slight annual decline estimated at between 1% and 3% of last year's volume.

Q: Are all manufacturers paying their share?

A: 99.9% of the total amounts due on all manufacturers' invoices issued 2014 YTD (Quarter 1 & 2) were collected. Manufacturers that pay late will be assessed finance charges and can be banned by Ecology from selling products in the State for nonpayment. Manufacturers may also be fined by the Dept. of Ecology for nonpayment. Enforcement action for non-payment is at the discretion of the Department 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 only, and are kept at a minimal level. For this quarter (Q4) reserves are at a higher level than normal (19%) due to volume declines in July. There has been a downward adjustment in reserve of 7% of the 4th quarter total to bring annual reserves to less than 9%.

Q: What will my invoice amount be next quarter?

A: The next invoice will be for the 1st quarter of 2014 and will be issued mid-November 2014. Excess reserves, if any, based on our actual cost experience are always issued back to manufacturers in the form of a reduced invoice (a credit) in the following quarter.

Q: How was my share of total expenses determined?

A: Your share was computed using the formula outlined on the front of the enclosed invoice, with details described on the back. You may visit the [WMMFA web site](#) 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: The 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 computed share of the costs of the WMMFA Standard Plan operations. Initially, a 3% late charge is applied to past due invoices by the WMMFA. A 10% finance charge is applied after 90 days. 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 a quarterly invoice 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.ecy.wa.gov/programs/swfa/eproductrecycle/>. The Authority is the manufacturer operated (via manufacturer representative Board governance) organization that implements, operates, and finances, through member payments - the approved State electronics recycling plan as submitted by the WMMFA. Invoices from the WMMFA (such as this one) cover the actual recycling costs.

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 Washington State Director of Ecology, comprised of representatives of participating 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.