

## COMMONWEALTH OF PENNSYLVANIA

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## SENATE OF PENNSYLVANIA

## SENATE ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE

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PUBLIC HEARING ON  
ELECTRONIC WASTE RECYCLING

Before:

SENATOR MARY JO WHITE, Co-Chairman  
SENATOR RAPHAEL J. MUSTO, Co-Chairman  
SENATOR EDWIN B. ERICKSON  
SENATOR J. BARRY STOUT  
SENATOR JAMES J. RHOADES  
SENATOR CONSTANCE H. WILLIAMS

Date: June 18, 2008, 9 a.m.

Place: Room 8E-A East Wing, Harrisburg, Pennsylvania

Reported By: Cindy L. Reilly, Notary Public  
Registered Diplomate Reporter

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Pennsylvania Department of Environmental Protection  
THOMAS K. FIDLER, DEPUTY SECRETARY  
Office of Waste, Air & Radiation ManagementPhillips Electronics  
RIC ERDHEIM, SENIOR COUNSELInformation Technology Industry Council  
VALERIE RICKMAN, ENVIRONMENTAL AFFAIRS ANALYSTPennsylvania Retailers' Association  
BRIAN RIDER, PRESIDENTDell, Inc.  
FRANCIS VALLUZZO, MANAGER  
State & Local Government AffairsProfessional Recyclers of Pennsylvania  
JOHN FREDERICK, EXECUTIVE DIRECTOR

1           SENATOR WHITE: We will open this public  
2 hearing before the Senate Environmental  
3 Resources and Energy Committee. The subject of  
4 this morning's hearing is electronic waste  
5 recycling. We welcome the members who are  
6 here, and also Senator Connie Williams, who was  
7 instrumental in urging us to hold this hearing  
8 on this very timely and important topic. I  
9 have no other comments. Senator Musto?

10           SENATOR MUSTO: I have none.

11           MR. HENDERSON: Our first witness is Tom  
12 Fidler, Deputy Secretary for the Department of  
13 Environmental Protection's Office of Waste, Air  
14 and Radiation Management.

15           DEPUTY SECRETARY FIDLER: Good morning,  
16 Senator White. Good morning, Senator Musto,  
17 members of the Committee. My name is Tom  
18 Fidler. I am Deputy Secretary for Waste, Air  
19 and Radiation Management within the Department  
20 of Environmental Protection, and I'd to thank  
21 you very much for the opportunity to speak with  
22 you this morning on this important issue, and  
23 I'd like to compliment the Committee and  
24 Senator Williams for taking the initiative to  
25 focus some attention on this important issue.

1           It is an issue that's growing more and  
2           more in volume every year, and it is of great  
3           significance to our waste flow, our waste  
4           stream within Pennsylvania. Already 13 states  
5           have taken the initiative to provide  
6           legislative direction of how electronic  
7           materials at the end of their life cycle should  
8           be managed, recycled and/or disposed.

9           Just this past year, within the last year,  
10          four states have taken that similar initiative,  
11          so clearly it's an issue that's in the  
12          forefront. It is an issue that's being delved  
13          into by a number of states lacking national  
14          direction on the issue.

15          Probably one of the most significant  
16          challenges for anyone to address in dealing  
17          with electronic waste as an issue is just  
18          simply the bulk and the volume created by the  
19          materials of concern. We're talking about  
20          television sets. We're talking about computer  
21          equipment, printers, all the peripherals that  
22          go along with computer systems. We're talking  
23          about the VCRs, DVD players, you name it. You  
24          know the gamut.

25          The largest cost associated with much of

1           this material and what sets it apart from the  
2           traditional types of recyclable commodities  
3           like aluminum and plastic and hybrid papers, as  
4           well as newsprint, is the volume and the weight  
5           and the transportation costs associated with  
6           getting it from one point to another.

7           Markets for the traditional types of  
8           recyclables are clearly at all time highs.  
9           Many of the recycling dismantlers operating  
10          throughout the country, as well as within  
11          Pennsylvania, will tell you that generally  
12          folks need to pay for them to accept the  
13          material, because right now in Pennsylvania  
14          with the infrastructure that's in place in  
15          recycling electronic materials is cost negative  
16          at this point.

17          Just a little bit about the extent of the  
18          issue, and I'll take this directly from the  
19          testimony. For each product that comes along  
20          one or more becomes outdated or obsolete, and  
21          this is somewhat unique to electronic products.

22          We're very accustomed to having materials  
23          reach their end of their life cycle when  
24          they're worn, when they're broken, when they're  
25          no longer usable, but electronics are somewhat

1           different.  Basically technology and their  
2           capability drives their life cycle.  Many  
3           electronics that are considered end of life are  
4           still very usable.  They just are not  
5           technically -- they don't have the capacity or  
6           the technical software available to continue to  
7           affect their usefulness.

8           Across America citizens are storing and  
9           discarding older electronic products faster than  
10          ever.  An EPA study reported that in 1998 about  
11          20 million computers nationwide became obsolete  
12          in one year.  If we were to extrapolate that,  
13          that's about one-half million units in  
14          Pennsylvania alone.

15          In the same report, it was estimated that  
16          in 2005 about 130,000 computers were discarded  
17          in a single day.  For Pennsylvania, if you were  
18          to extrapolate, that's anywhere from five to  
19          ten thousand computers in a day.

20          According to the Consumer Electronics  
21          Association estimates, an estimated 304 million  
22          electronics, including computers, TVs, VCRs,  
23          cell phones and monitors, were removed from  
24          U.S. households in 2005 with about two-thirds  
25          of these products still in working order, a

1 point that I just made.

2 Many of these units are landfilled. Based  
3 on some waste composition work, basically  
4 boring into landfill cells to find out what the  
5 composition is of the waste that's been  
6 disposed there, we're finding that electronics  
7 comprise about one and a half percent of the  
8 total waste stream within the state, equaling  
9 about 138,000 tons.

10 Now, will this issue become minimized or  
11 will it increase? All cases are that the issue  
12 will become greater and greater for us as time  
13 goes on, because we know that in the next year  
14 to year and a half digital signals will become  
15 the norm and all analog sets will either need  
16 to be retrofit with proper equipment or be  
17 disposed.

18 A significant influx of additional  
19 equipment may in fact become part of the waste  
20 stream with the initiation of that program. I  
21 mentioned to you that at least at this point it  
22 appears that many of the dismantlers of  
23 electronic equipment, and we have about ten  
24 currently operating within the state under a  
25 general permit, consider the process cost

1 negative.

2 In other words, the transportation and the  
3 labor is still more expensive than the  
4 materials that are generated at the end of the  
5 process, the leaded glass, the hybrid plastics  
6 and the metals within the equipment, so there  
7 is some cost leveling that needs to occur.

8 Typically right now within the  
9 Commonwealth, the State has been providing that  
10 cost leveling. We are providing 50 percent  
11 matching moneys to any county or municipality  
12 that would want to initiate an electronics  
13 collection program.

14 We've been doing that for a number of  
15 years, and that is part of the cost leveling  
16 that is provided currently by the Commonwealth.  
17 In addition, we receive dollars from EPA every  
18 year. We receive a grant under the Resource  
19 Conservation and Recovery Act, commonly called  
20 RCRA. We utilize some of those moneys each  
21 year to assist in leveling the cost of getting  
22 materials to dismantlers to properly dismantle  
23 them and reuse the components.

24 Just to give some sense of what the  
25 support that we have provided has resulted in

1           since we've been providing that support, we've  
2           seen recycling of about 5,000 tons of  
3           electronic products. About 46 communities  
4           throughout the Commonwealth have at least  
5           irregularly conducted collections of electronic  
6           products, normally coupled with regular  
7           household hazardous waste collection programs.

8           About fourteen counties have established  
9           an ongoing program, and what I mean by that,  
10          normally in the spring or maybe in the fall of  
11          every year there is a routinely scheduled  
12          collection of electronic products, so all the  
13          equipment that has been collecting in someone's  
14          garage or basement, there is an outlet for  
15          properly recycling that equipment.

16          And the collections that have taken place  
17          in the Commonwealth have not only involved TV  
18          sets and computer equipment, as in many states,  
19          but it's basically involved any type of  
20          electronic product. We have attempted to work  
21          very closely with the Federal Government and  
22          with local governments as we establish what we  
23          feel is an acceptable model for a program for  
24          electronics in Pennsylvania.

25          We have been trying to act as broker

1           between dismantlers and generators of  
2           electronic products. As I mentioned, we've  
3           been trying to provide grant dollars to support  
4           some of those programs, and several years ago  
5           the National Electronics Products and  
6           Stewardship Institution convened a dialogue  
7           among manufacturers of electronic products,  
8           states interested in the issue, local  
9           governments, EPA, environmental organizations  
10          and private entities as well to see if a model  
11          approach couldn't be developed.

12                 Unfortunately, there was not consensus on  
13          a model that might seem to be the most  
14          appropriate approach to manage electronic  
15          products throughout the country. However, the  
16          dialogue was very significant in that many of  
17          the State programs that have been spawned over  
18          the last couple of years, many of those  
19          programs were based on discussions that came  
20          out of that dialogue convened by the  
21          organization.

22                 I'd like to mention that electronics that  
23          are currently being dismantled in the  
24          Commonwealth are being dismantled under the  
25          purview of our nonhazardous residual waste

1 regulations. We believe that -- and there are  
2 materials like lead and mercury in many of  
3 these materials, but by managing them under the  
4 nonhazardous residual waste program there is  
5 flexibility in that process.

6 We have developed a general permit that  
7 allows dismantlers to operate given certain  
8 performance standards and criteria to follow  
9 that are normally accepted by the industry. We  
10 currently have ten dismantlers operating under  
11 general permits. There are four applications  
12 currently under review, in addition to the ten,  
13 and three other applications are currently  
14 being prepared, so in fact, the infrastructure  
15 is growing, but we'd like to see it grow at a  
16 much faster pace.

17 We believe the key to any program like the  
18 one we've been encouraging is not necessarily  
19 the irregular collection announcements of  
20 programs to collect materials at the local  
21 level but instead for municipalities, counties  
22 to establish collection points that are  
23 somewhat permanent, that are regular hours that  
24 folks can basically drop off equipment when  
25 it's convenient for them rather than during

1 haphazardly scheduled collections, and we  
2 believe that's the key in moving forward. I  
3 think our collection grants, our household  
4 hazardous waste program expanded to include  
5 electronics has accomplished a lot in  
6 establishing knowledge among consumers within  
7 the state that these materials can in fact be  
8 recycled. They don't need to be put out for  
9 the trash and disposed of in landfills, but  
10 there's value in recycling these materials.

11 However, I think we've taken this program  
12 as far as we can given the limited funds and  
13 the limited staff that we have available within  
14 DEP to manage this issue, and I really do  
15 believe it's time for a more comprehensive  
16 strategy to be enacted within the Commonwealth  
17 through legislation.

18 We believe based on the experience that  
19 we've had with this issue that any legislative  
20 model should contain two distinct parts. The  
21 first part should be a ban of these electronic  
22 materials from disposal in landfills within the  
23 Commonwealth. Ten of the other states that  
24 have enacted legislation have at the same time  
25 enacted a landfill ban which would ban the

1 disposal of material.

2 That provides the regulatory framework for  
3 infrastructure to develop and establishes a  
4 market incentive to develop new markets, new  
5 opportunities for reuse of these materials.

6 The second part of the equation is rather  
7 than a government-run program, we firmly  
8 believe that the manufacturers and the  
9 retailers that produce and sell these materials  
10 have a significant role to play, along with the  
11 consumers. Of the I believe I said twelve  
12 states that have enacted legislation, the  
13 lion's share of those states, I think all but  
14 one state, have in fact adopted legislation  
15 that provides significant responsibility upon  
16 manufacturers to fund, usually through a third  
17 party, the opportunity for consumers when they  
18 buy a new piece of equipment to basically  
19 relieve themselves from the equipment that  
20 they're replacing.

21 It seems to make sense. It seems to be an  
22 approach that works, and that's something that  
23 we would support. California is really the  
24 only state that has adopted and advanced a  
25 recycling fee. In other words, a surcharge.

1           When you buy a TV set, every person who makes  
2           that purchase is charged an additional five or  
3           ten dollars, I'm not sure what the fee is in  
4           California currently, but to cover the cost of  
5           end-of-life management of that piece of  
6           equipment.

7           When California first started their  
8           program they generated far more money than they  
9           really needed to basically run the program, and  
10          it was an administrative, significant  
11          administrative challenge to get the program up  
12          and running. We believe that a much more sound  
13          approach is not to have State Government  
14          involved in the running of the grants program  
15          but instead to have private entities decide how  
16          it may be best to manage end-of-life equipment  
17          most cost effectively and in the most  
18          marketable fashion.

19          I pretty much have gotten ahead of myself  
20          in the testimony, but I think I pretty well  
21          covered what we believe the most logical  
22          approach would be for legislation within the  
23          Commonwealth. I would like to veer from this  
24          particular issue for a moment if you'd provide  
25          me with that opportunity and just talk about a

1 significant regulatory initiative that the  
2 Department has underway. For many years the  
3 Commonwealth has been operating a set of  
4 regulations in managing municipal waste, as  
5 well as a set of regulations to manage residual  
6 waste.

7 We are consolidating those regulations to  
8 streamline the regulations under which folks  
9 generating and managing waste materials in the  
10 state can operate. We're providing much more  
11 flexibility for the beneficial use of material  
12 to utilize waste for energy production, to  
13 utilize waste in place of virgin materials for  
14 manufacturing processes. That clearly is the  
15 goal.

16 Again, for this initiative, we believe  
17 that a significant component of this is banning  
18 the disposal of materials that have value in  
19 our landfills, so as part of this regulatory  
20 revision process, we are incorporating a ban of  
21 materials that have value, materials that have  
22 recyclability for use as an energy source from  
23 disposal in landfills in the Commonwealth. I'm  
24 talking about the traditional materials like  
25 bimetal cans, aluminum cans, plastics, plastic

1 bottles, paper of all types and grades, but in  
2 addition, we're talking about a land clearing  
3 waste. We're talking about white goods. We're  
4 talking about oil filters and used oil, oil  
5 based paint. Many, many types of materials.

6 And I will say that we're in very focused  
7 discussions right now with stakeholders engaged  
8 in the waste management program that is being  
9 currently implemented within the Commonwealth  
10 to see if we can't transition into a process  
11 like this. Many of you are well aware that our  
12 recycling fee has been renewed through the year  
13 2012. It is a program that generates 40-some  
14 odd million dollars a year. Much of that is  
15 turned back to municipalities to develop new  
16 recycling programs and award positive  
17 performance and implementing current recycling  
18 programs.

19 I believe that program has worked well for  
20 a number of years, but we only have until 2012  
21 for that fee to exist. It's not been increased  
22 at all during the duration of the program.  
23 Since the early '90s the fee's been the same,  
24 \$2 a ton, so we can't accomplish nearly as much  
25 now as we did in the very beginning of the

1 program, and I believe that the commodity ban  
2 approach may in fact provide greater incentive  
3 for private investment and recycling programs  
4 in spawning new businesses, for managing end-  
5 of-life materials, creating jobs, creating  
6 opportunities that currently don't exist.

7 We have a lot of commodities that we're  
8 managing, but we're very slow in developing  
9 markets for them. I believe a commodity ban  
10 that's fairly broad reaching and comprehensive  
11 would provide the incentive to invest, instead  
12 of investing in landfill space, investing in  
13 businesses and jobs in the state. We are going  
14 through this rulemaking process. The reason  
15 I'm raising this, I believe a legislative  
16 process would be quicker and more well-defined,  
17 and we'd be happy to work with the Committee in  
18 further discussions on that issue.

19 That's all I have to present with respect  
20 to electronics and the commodity bans that  
21 we're proposing as part of our reg revision  
22 process. I'd be happy to take any questions,  
23 and I'd like to thank the Committee on behalf  
24 of Secretary McGinty for the opportunity to  
25 testify.

1           SENATOR WHITE:  Senator Erickson, I know  
2 you have to leave.  Do you have any questions?

3           SENATOR ERICKSON:  No.

4           SENATOR WHITE:  Senator Williams.

5           SENATOR WILLIAMS:  Thank you very much.

6 Can you give the Committee a list of the  
7 counties that are already doing an ongoing  
8 E-cycling program?

9           DEPUTY SECRETARY FIDLER:  I can't at this  
10 point.

11          SENATOR WILLIAMS:  Well, if you can get  
12 it.

13          DEPUTY SECRETARY FIDLER:  I could get that  
14 information to you, yes.

15          SENATOR WILLIAMS:  And what they are  
16 accepting.  I think one of the big concerns we  
17 have is the issue of the legacy waste,  
18 especially with the televisions and VCRs and  
19 everything.  There has been some -- I'd like to  
20 know your point.  There's some that said we  
21 should deal with these in a sunseting manner,  
22 that we should be able to support the recycling  
23 of legacy up to a certain time because it's  
24 very difficult to know who the manufacturers  
25 are or what's going on.

1           Do you think that there might be -- make  
2           sense to create another tier for Act 101 to do  
3           something like this?

4           DEPUTY SECRETARY FIDLER: That's a good  
5           question, and it is a question that we have  
6           entertained with members of the industry,  
7           because there are some manufacturers that  
8           produce many, many television sets primarily  
9           that are no longer producing television sets,  
10          so it's basically the manufacturers that are  
11          producing materials today that are being  
12          purchased that would be assigned the  
13          responsibility of managing all sets.

14          I guess the one significant point I'd like  
15          to make is I have provided additional funds to  
16          these household hazardous waste collections, so  
17          there's more collections going on now and will  
18          be going on next year and possibly the  
19          following year than has ever been scheduled  
20          before.

21          My goal in doing that is to address this  
22          issue of the legacy sets that are out in  
23          persons' homes. I would like to have those  
24          collections expanded and extend beyond the date  
25          upon which digital equipment will become the

1 norm so that some of the legacy equipment that  
2 will be discarded will be discarded with the  
3 help of some funding from the Commonwealth.

4 So I'm not really sure how significant  
5 that issue will be. If in fact it's an  
6 additional surcharge for a period of time that  
7 would be sunset over some fairly short period  
8 of time, maybe that's something worth  
9 discussing, but just know we believe that we're  
10 already trying to address that legacy, an  
11 important issue.

12 SENATOR WILLIAMS: Thank you. Thank you.

13 SENATOR RHOADES: I guess one question.  
14 We're talking about creation. Now we're  
15 throwing things away. Is there any research  
16 going on at our universities in terms of taking  
17 these materials and using them in another  
18 fashion? It seems we don't want to put them in  
19 a landfill. We want to ban that. But then I'm  
20 saying we took these elements and created  
21 something. Let's reverse the process. Is  
22 there any such thing going on as to a better  
23 way to handle this?

24 DEPUTY SECRETARY FIDLER: Senator Rhoades,  
25 yes. There has been some work done to identify

1           how the material can be reprocessed for reuse,  
2           but some of the technology has just developed  
3           so rapidly, the new flat screen TV sets, the  
4           new higher speed computers. I mean, some of  
5           the computers even being manufactured today are  
6           water-cooled, so the components are very  
7           different. Now, the basic metals, the hybrid  
8           plastics and some of the glass possibly could  
9           be reused, but the industry is developing so  
10          rapidly, and actually, there's some folks  
11          testifying after me that that would be a good  
12          question to ask them, because they're probably  
13          a little bit better prepared to respond to that  
14          than I might be.

15                 SENATOR STOUT: Thank you. You mentioned  
16                 that the processing was a negative value. Can  
17                 you give me a number of how much support you  
18                 think would be needed to break even on the  
19                 recycling efforts of electronic equipment?

20                 DEPUTY SECRETARY FIDLER: Well, I think  
21                 with the regulatory driver, I think some of the  
22                 costs could possibly be leveled in and of  
23                 themselves, because the manufacturers would be  
24                 picking up some of the needed cost to provide  
25                 that balance.

1           The testimony indicates that at least at  
2           this point in time for cost to be leveled by  
3           the dismantlers, they're looking for a payment  
4           of anywhere from 10 to 30 cents a pound for the  
5           material delivered to their doorstep to be  
6           accepted by them to level the costs for  
7           transporting beyond the breakdown period and  
8           for the labor that they're providing within  
9           their facilities. That appears to be where we  
10          are at this point.

11           SENATOR STOUT: Thank you.

12           SENATOR WHITE: Well, as a follow-up to  
13          that, do you believe that the volume would  
14          change those numbers at all?

15           DEPUTY SECRETARY FIDLER: Possibly.  
16          Reliability and waste flow and volume I believe  
17          would have an impact on those numbers, yes.

18           SENATOR WHITE: It would drive them down.

19           DEPUTY SECRETARY FIDLER: Yes.

20           SENATOR WHITE: I'm interested in these  
21          partnerships you mentioned with EPA Region 3  
22          and E-cycling with funding from electronics  
23          manufacturers with this Eco International, this  
24          Panasonic, Sony, Sharp, JVC.

25           DEPUTY SECRETARY FIDLER: Sure.

1           SENATOR WHITE: It sounds like there is  
2 already a lot of industry participation.

3           DEPUTY SECRETARY FIDLER: Senator White,  
4 it's hit or miss. The E-cycling initiative was  
5 an attempt to sit down with Region 3 states,  
6 West Virginia, Virginia, Maryland, Delaware,  
7 and Pennsylvania, to conceive a model which we  
8 could initiate some interest and focus on the  
9 issue, and that's what the E-cycling initiative  
10 really was.

11           Some of the private companies, the  
12 manufacturers that participated in that, in  
13 those discussions, provided a one-time payment  
14 of \$135,000 to provide some dollars to get some  
15 collection programs started. As far as the  
16 manufacturers that are providing some funding  
17 support for the company in Halstead, that is  
18 very positive. That's positive progress, and  
19 we'd like to see more of that, but it's really  
20 an indication of how the manufacturers could  
21 play a stronger role leveling the cost of  
22 dismantling and reusing these materials.

23           And as far as the permanent programs that  
24 we have in place, we have a number of multi-  
25 municipal programs. We have some permanent

1 facilities where in fact drop-offs can occur at  
2 any time. They're just very expensive to  
3 operate, and there's really no reason why, you  
4 know, for I think many of us have become very  
5 familiar when we either go to a big box  
6 retailer and purchase a new washing machine or  
7 dishwasher or something, it's become routine  
8 that take-back programs are very inexpensive,  
9 in many cases free.

10 There's really no reason why retailers  
11 could not consider becoming collection points  
12 for this type of material that either a  
13 contractor that's paid by manufacturers and  
14 retailers could then manage and transport  
15 materials to dismantling operations or that a  
16 third party, as has been done with mercury-  
17 containing thermostats, acts as the broker for  
18 these materials providing points of collection  
19 and then points of management for materials  
20 collected.

21 SENATOR WHITE: Senator Williams.

22 SENATOR WILLIAMS: Thank you. Are you  
23 distinguishing between computers and  
24 televisions? Is there a distinction made?  
25 When we've been reading and doing our

1 background on this, there is a dividing line  
2 between the two types of electronics.

3 DEPUTY SECRETARY FIDLER: The most  
4 commonly accepted program involves primarily  
5 computer equipment and all peripheral  
6 equipment.

7 SENATOR WILLIAMS: We will hear that from  
8 other people, so I'm just getting a little  
9 confused on when you're talking about all these  
10 programs, the difference between televisions  
11 and computers.

12 DEPUTY SECRETARY FIDLER: In all our  
13 collections and basically all the comments I've  
14 made, I've considered the materials  
15 collectively, and I'm not distinguishing  
16 between the two.

17 SENATOR WHITE: Senator Musto.

18 SENATOR MUSTO: Thank you, Madam Chairman.  
19 Good morning, Tom.

20 DEPUTY SECRETARY FIDLER: Good morning.

21 SENATOR MUSTO: The Department is  
22 considering regulations to ban phase commodity  
23 products and no doubt E-waste is included in  
24 that regulatory effect.

25 DEPUTY SECRETARY FIDLER: Yes.

1           SENATOR MUSTO: Since we do know that many  
2 products, recyclable products are going into  
3 our landfills, is the Department doing anything  
4 to enhance our recycling program?

5           DEPUTY SECRETARY FIDLER: Actually we're  
6 probably doing less, because the amount of  
7 money that's being generated and then conveyed  
8 as grants is really less than we've been able  
9 to do in the past.

10           We're issuing about \$20 million a year to  
11 about 125 municipalities for the development of  
12 programs, for the expansion of programs, and  
13 about 23 million a year for performance. In  
14 other words, for additional work based on good  
15 work that we've seen, and about 800 different  
16 municipalities receive money under that  
17 program.

18           I really believe that for us to do more  
19 with recycling there has to be greater private  
20 influence in the program personally, and I  
21 think the model we've been operating under for  
22 a number of years has taken us to a point where  
23 an ethic is there, stewardship, responsi-  
24 bility's been assumed by consumers, but I think  
25 the missing link is the markets and the

1 opportunity that we might be missing in job  
2 creation within the Commonwealth, and I think  
3 if there were a greater private influence  
4 directing materials to different places where  
5 in fact they could be most effectively used and  
6 most cost effectively managed, I think that's a  
7 dimension of the program that we'd still like  
8 to develop.

9 SENATOR MUSTO: Many municipalities that  
10 are not mandated, that are below the 5,000  
11 population, have hardly any recycling program,  
12 and there isn't any incentive to help them  
13 along the way, and from what I'm hearing, Tom,  
14 there's no action being taken by the  
15 Department.

16 DEPUTY SECRETARY FIDLER: Basically the  
17 municipalities that do not make the cut, so to  
18 speak, for funding under Section 902 of Act 101  
19 can in fact receive performance grants under  
20 Section 904, and if they have applied and they  
21 have the potential for establishing a program  
22 that seems workable given their population  
23 density and the infrastructure that -- or, the  
24 population of the municipality, they can in  
25 fact receive dollars to get a program started,

1 but beyond that, Senator, there really -- and  
2 outside of technical advice and assistance that  
3 our staff provides on a daily basis, there  
4 really is nothing out there right now to  
5 address that segment of the population.

6 SENATOR MUSTO: If we are going to ban  
7 recyclable products in landfills, we certainly  
8 need to look at giving municipalities  
9 assistance for a good recycling program or it  
10 won't work.

11 DEPUTY SECRETARY FIDLER: Well, as I said,  
12 I do believe this needs to be done carefully  
13 and very methodically and over a period of  
14 time. It's not something that's going to  
15 happen overnight, but I really believe that  
16 diverting private investment from landfills to  
17 separation technology, proper equipment to pick  
18 up segregated materials at the curb, that sort  
19 of thing will probably expand the reach that is  
20 currently being provided right now for waste  
21 pickup service and provide a service that would  
22 render the materials collected much more usable  
23 at the point of which they're collected.

24 So it's a paradigm shift. It's a  
25 different way of thinking about things, and I

1 think it's a direction that we should be  
2 pursuing.

3 SENATOR MUSTO: Thank you.

4 SENATOR WHITE: Any other questions?  
5 Thank you, Mr. Fidler.

6 MR. HENDERSON: Our next witness is Ric  
7 Erdheim, Senior Counsel for Philips  
8 Electronics.

9 MR. ERDHEIM: Good morning, Senator White,  
10 Senator Musto, members of the Committee. My  
11 name is Ric Erdheim. I'm senior counsel for  
12 Philips Electronics. Philips has three major  
13 business lines. We are the world's largest  
14 lighting company, and we're probably in the  
15 lead in terms of developing light-emitting  
16 diodes, which is the next generation of energy  
17 efficient lighting.

18 We're one of the world's largest medical  
19 device companies, and, in fact, our home  
20 healthcare division is headquartered right  
21 outside of Pittsburgh. And we also sell a  
22 number of computer products. We sell  
23 televisions. We don't sell computers, so we  
24 can talk a little bit about the differences  
25 between those. But you're also maybe familiar

1 with us from Norelco shavers, Sonicare  
2 toothbrushes, and Avent baby products, so I'm  
3 happy to be here to testify. I talked to  
4 recyclers for a number of years, and I hear a  
5 pretty consistent message, which is that most  
6 electronics waste actually has some value, and  
7 we see now a number of the retailers and even  
8 the Post Office are getting involved in  
9 collecting the smaller electronic products, so  
10 that suggests that there is some value in those  
11 products.

12 So the real problem we have when we talk  
13 about E-waste is really the cathode ray tubes.  
14 As Mr. Fidler said, those have a negative value  
15 and for the foreseeable future will have a  
16 negative value. Now, the good news is that for  
17 computers those products, the cathode ray tube  
18 monitors, were phased out some time ago and for  
19 TV we really saw by 2007 that market had  
20 changed, and pretty much if you go into a store  
21 now you're only going to see a flat panel TV.

22 The good news about that is that that flat  
23 panel TV has a lot of metal in it, and we think  
24 the preliminary estimates is when those  
25 products start coming back, they're going to

1           have a lot of value and we'll see those  
2           products being recycled, so we think that the  
3           real issue is what do we do with the phaseout  
4           of cathode ray tubes over the next 10 or  
5           15 years which will occur as people change  
6           their products.

7           One thing I want to point out, I don't  
8           disagree -- I don't agree with Mr. Fidler, we  
9           do not see a big increase in televisions being  
10          thrown out as a result of the digital  
11          transition. I have more information about that  
12          in my testimony, but very quickly, the digital  
13          transition says there is no longer going to be  
14          over the air analog transmission.

15          Most people get their transmission either  
16          by cable or by satellite. In fact, only  
17          15 percent get it by over the air. So for  
18          85 percent of the country there's no impact at  
19          all. For the rest of the 15 percent the  
20          Government's providing coupons, \$40 coupons, to  
21          pay for converters, and we don't think that  
22          there's going to be a very big disruption in  
23          the current market because of the transition.

24          Now, we think we would agree with  
25          Mr. Fidler that the appropriate approach is one

1 based on a shared responsibility approach. We  
2 think manufacturers should be involved. We did  
3 make the products after all. But we think  
4 retailers should be involved. They sold the  
5 products. We think Government should be  
6 involved. Government does benefit from the  
7 sale of these products.

8 In fact, I estimate that the State of  
9 Pennsylvania received \$74 million in sales  
10 taxes on TVs in 2006, and, of course, consumers  
11 benefit from the products. They wouldn't be  
12 buying the products unless they benefited from  
13 them.

14 Now, some people suggest that manufacturers  
15 should just be responsible for the entire  
16 program, and they use two arguments, both of  
17 which do not stand up to scrutiny. The first is  
18 that manufacturers need an incentive to make  
19 better products and unless they're responsible  
20 for manufacturing they won't make better  
21 products, and that leads to two questions.

22 One, do manufacturers need incentives?  
23 Are they not making better products? And  
24 number two is: Will this provide an incentive?  
25 And the answer to both of those is no. If you

1 compare the TV that you could buy in the store  
2 today with the TVs that we grew up with, the  
3 big old cathode ray tube with the wooden frame  
4 with the picture tube that actually Philips  
5 invented a long time ago and compare that to  
6 today's TVs, you'll see that on a square inch  
7 basis the TVs are much more energy efficient,  
8 do not contain any lead, weigh much less and as  
9 a result have much less packaging.

10 The only environmental concern from the  
11 new TVs is the small mercury backlight that's  
12 contained in the TVs to provide lighting, and I  
13 can tell you with 100 percent certainty that  
14 over the next couple of years that mercury  
15 light is going to be eliminated and replaced by  
16 light-emitting diodes, or LEDs, the same kind  
17 of lighting that we're soon going to be seeing  
18 in our ceilings.

19 So the evidence shows that in fact  
20 manufacturers have made significantly better  
21 products, and, in fact, at the recent Consumer  
22 Electronics Show in January in Las Vegas, of  
23 all the thousands of products that are  
24 demonstrated at that show, Philips won the  
25 award for the Best in Show, and that was based

1           on a TV that we produced that would use as  
2           little as 75 watts of energy. Now, most TVs  
3           are in the multi hundreds of watts of energy,  
4           and that shows you a significant advance that  
5           we have put forward in terms of TVs, so  
6           manufacturers are constantly making better  
7           environmental products, and so the notion that  
8           we need some incentive doesn't stand up to any  
9           scrutiny.

10                 Second is even if you said, well, it might  
11           provide an incentive, we're willing to look at  
12           that, TVs last on average 15 to 17 years, so  
13           the argument is that if we're responsible for  
14           taking back TVs, that we will make a better  
15           product so when that product comes back 15 to  
16           17 years from now it will be easier to recycle.

17                 Now, I don't know if any of the members of  
18           the Committee are in business, but 15 to  
19           17 years is not a time frame that any business  
20           is going to look at in terms of making an  
21           investment. It's simply too far removed. We  
22           live in an economy today, a global competitive  
23           economy where CEOs are being fired for one or  
24           two bad quarters. So the notion that a 15-year  
25           payback is something that's going to have an

1 impact is simply not the case.

2 In addition, even if you believe that there  
3 would be an incentive, the incentive would only  
4 apply to new products. In other words, you say  
5 to me, so for the new product you're going to  
6 make, you have to take that back when it comes  
7 back 15 to 17 years ago, that would be the  
8 theoretical argument, what's the argument for me  
9 taking back all the products that have already  
10 been sold or are in the marketplace? There is  
11 no incentive for that. Those products are  
12 already made.

13 So there simply is no incentive. So we  
14 think that the argument for both of those, that  
15 there's a need for an incentive or that there  
16 is an actual incentive, is not the case. The  
17 second argument is that manufacturers will  
18 simply add the cost of recycling into the  
19 product.

20 I wish that were the case. If that were  
21 the case, why wouldn't manufacturers just say,  
22 fine, we'll just increase the price of the  
23 product? That should for most of you in  
24 Pennsylvania who are concerned about loss of  
25 jobs in manufacturing, you should be

1 immediately skeptical of just adding cost to  
2 the price of the product. Jobs are moving to  
3 China specifically because costs are lower  
4 there. Manufacturers can't just add cost to  
5 the price of a product.

6 So what I want to do is read to you,  
7 rather than me tell you that, I want to read to  
8 you a quote from a Merrill Lynch report from  
9 December 7, 2007, on Philips, and I'm going to  
10 read just this one sentence, and before I do,  
11 you're going to hear the word connected  
12 displays. Philips uses the term connected  
13 displays to talk about TVs and computer  
14 monitors.

15 We don't sell computer monitors in the  
16 U.S., so the term connected displays means  
17 television. So here's the quote. "Connected  
18 displays, which makes up approximately  
19 60 percent of the consumer electronics,  
20 continues to lose money in the North American  
21 market driven by severe price competition,  
22 aggressive retail dynamics and disruptive low-  
23 cost players."

24 So let's look at each of those three  
25 issues. First in terms of the severe price

1 competition, we've got a global economy now.  
2 The Chinese can out-manufacture any U.S.  
3 company. Philips used to have 20,000 people  
4 that it employed making TVs in the United  
5 States. They're all gone.

6 So there's a quote in my testimony from  
7 the senior editor of Business Week in which he  
8 talks about the globalized economy and how  
9 manufacturers can't just raise prices now, that  
10 manufacturers are focused on cutting costs,  
11 because it's the only way we can compete,  
12 because you have to continually cut costs.

13 Second, retail dynamics. Again, my  
14 testimony goes into the fact that with the  
15 growth of the mega retailers, they have  
16 tremendous power over pricing of products. I'm  
17 not saying that to be critical of them at all.  
18 It's simply the way the market is today, but  
19 the notion that we can just add increases to  
20 the price is inconsistent with the notion of  
21 the power that retailers have over the price.

22 And finally, we have the notion of  
23 disruptive low cost manufacturers. What we've  
24 seen, as in many industries, is where you don't  
25 have patent protection where the patents have

1           expired, the Chinese have come along. They're  
2           manufacturing the products. Today over  
3           25 percent of the TVs sold are made by  
4           companies that didn't exist, didn't exist six,  
5           seven years ago.

6           In fact, one of the two largest of these  
7           companies sells under the brand name  
8           Westinghouse, and as I was preparing my  
9           testimony I thought how odd that is. In a  
10          previous life I worked at the Electrical  
11          Manufacturers Trade Association, and, of  
12          course, the two giant electrical manufacturers  
13          were GE and Westinghouse. As you know,  
14          Westinghouse got out of the business in the  
15          1990s, and now someone has bought the rights to  
16          use the name. So you can go buy a Westinghouse  
17          TV, but it's made in China and it's got no  
18          association with anyone in Pennsylvania.

19          So what does that all add up to in terms  
20          of adding costs to the price of the product?  
21          This April Philips announced, even though we  
22          were, as I said, the inventor of the picture  
23          tube and have been in the business for a long  
24          time, that we were exiting the consumer TV  
25          business in the United States because it's

1 unprofitable. We're not the first. GE has  
2 exited the business. GE sold some brands to  
3 Thompson. Thompson has now sold those brands  
4 and exited the business. You've seen GE  
5 announce that it's getting out of the appliance  
6 business. You heard of Motorola getting out of  
7 the cell phone business.

8 Any product that's a commodity product is  
9 going to be based primarily on cost, and if  
10 you're a higher cost manufacturer like we would  
11 be because we pay higher wages and do more  
12 environmental investment and more research, we  
13 can't win in that environment. So the notion  
14 that you can just add cost to the price of the  
15 product, unfortunately, Philips is a bad  
16 example of that.

17 So what should we do? Well, on a shared  
18 responsibility approach there are a number of  
19 options that you can consider. First is the  
20 upfront fee where a consumer pays a fee at the  
21 point of purchase. It is a small cost to the  
22 price of the product. It provides an  
23 educational message to consumers when you buy  
24 the product, and it provides a stable source of  
25 funding for collection and recycling.

1           This is not a new concept. Many states  
2           use such a fee for batteries and car batteries  
3           and tires. Europe uses this system. In the  
4           European system local governments and retailers  
5           collect products. Manufacturers are  
6           responsible for recycling the products, but  
7           retailers collect a fee to pay for the  
8           historical waste, which is what Senator  
9           Williams was talking about. In other words,  
10          all the products that were made before let's  
11          say today, which are historical waste, so that  
12          fee is used to pay for that, and then in the  
13          future as the new products come back we expect  
14          those to be cost positive, and we don't expect  
15          there to be a significant problem, so that's  
16          the process that's used in Europe.

17          California has a process which is again a  
18          fee, although it's government run. That may be  
19          a little more bureaucratic. Another approach  
20          is what they do in six provinces in Canada.  
21          It's called the first sale fee approach, and  
22          what this means is that when we sell a product,  
23          we don't sell a product into Pennsylvania. We  
24          sell to national retailers or national  
25          distributors. We don't know where the product

1 is going, so even if you said we want you to  
2 add the cost that a state might charge into the  
3 price of the product, we don't know what the  
4 product is because we don't know where that  
5 product's going, so what Canada did was say,  
6 what the provinces have done up to now is say  
7 whoever makes the first sale into the province  
8 has to pay a fee.

9 What happened as a result of that is that  
10 both manufacturers and retailers are  
11 responsible because they both are entities that  
12 would bring products into the province. The  
13 retailer said that's going to be a very  
14 confusing system and voluntarily told  
15 manufacturers not to collect the fee, that they  
16 would collect the fee at the point of purchase,  
17 and so we have in Canada the development of  
18 what's called the eco fee, which then goes to  
19 an industry run organization which provides for  
20 the recycling of those products.

21 So we avoid the problem in California and  
22 the problem that Mr. Fidler has in terms of  
23 establishing a government system. We have a  
24 privately run system but one in which both  
25 retailers and manufacturers are playing a role

1 and which the consumer is playing a role by  
2 playing the up-front fee.

3 Another approach that could be used, which  
4 is less desirable, but it is being used is to  
5 have a limited fee for CRT television that  
6 would be paid at the point of disposal. We  
7 think such a fee could be limited to \$10 and  
8 would pretty much pay for the cost of much, if  
9 not all, of that. It's used in many  
10 Pennsylvania communities today.

11 I was up speaking at a Pennsylvania  
12 Recyclers meeting in November, and most of them  
13 said they're using end-of-life fees now and you  
14 get a service, you pay a fee. It's not a  
15 radical concept. And finally, another approach  
16 is one that's been used in Arkansas and to a  
17 lesser extent in North Carolina and Colorado,  
18 and that's to use a portion, a small portion of  
19 tipping fees that landfills and incinerators  
20 charge to pay for the recycling.

21 So in conclusion, I want to say we support  
22 recycling of TVs. I don't know of any TV  
23 manufacturer that would oppose that notion. We  
24 think the system should be based on shared  
25 responsibility. We think you should reject the

1 false notions there's going to be any  
2 incentives from imposing additional costs on  
3 manufacturers or that manufacturers can simply  
4 pass those costs along, and we'd be happy to  
5 work with the Committee in moving forward with  
6 such legislation. I thank you very much for  
7 your attention. I'd be happy to answer any  
8 questions.

9 SENATOR WHITE: Thank you. Senator  
10 Rhoades.

11 SENATOR RHOADES: Let me ask, if we were  
12 to take any of your recommendations, would that  
13 bring Philips back into the United States?

14 MR. ERDHEIM: No. And let me make clear,  
15 the E-waste issue is not why we're getting out  
16 of the business. We're getting out of the  
17 business because of all those dynamics I  
18 mentioned, which simply make it unprofitable.  
19 I want to make it clear, and this actually is a  
20 benefit to Pennsylvania, what we have done is  
21 we've been restructuring our company.

22 We used to be known as a semiconductor and  
23 a consumer electronics company. We sold the  
24 semiconductor business, we're clearly  
25 de-emphasizing the consumer electronics

1 business, and we're investing in healthcare and  
2 lighting, and just in the last year we've  
3 invested in companies, we purchased  
4 Respironics, which is a very large manufacturer  
5 of medical devices, home medical equipment in  
6 Pennsylvania. We're going to make that the  
7 home of our Home Healthcare Division.

8 And we also purchased a company called  
9 GenlyteThomas, which is a lighting -- they're  
10 called luminaires, but the fixtures that are in  
11 ceilings, and there are, a couple of their  
12 subsidiaries are in Pennsylvania, so the good  
13 news is we're actually as we're rejiggering the  
14 company, we're doing more investment in the  
15 United States and much more investment in  
16 Pennsylvania.

17 But the bad news is that you have an  
18 innovative company like Philips which can't  
19 make it in the U.S. market and so things like  
20 the TV and the energy efficient TV that we  
21 produced, we're going to sell it this year and  
22 then we'll be out, and I don't know that anyone  
23 else is going to pick that up, and I think if  
24 this committee is interested not only in  
25 environment but in energy, I would think you

1 would want to say, gee, we want to see, we want  
2 to create an environment where the Philips of  
3 the world can compete and thrive, and we don't  
4 have that market now, and imposing additional  
5 costs would just make that worse.

6 SENATOR WHITE: Yes, the cleanest to my  
7 thinking is the end-of-life fee, but who do you  
8 pay it to? How do you set up the mechanism?

9 MR. ERDHEIM: Well, we can work on that,  
10 Senator White, if that's how you want to go.  
11 As Mr. Fidler mentioned, there's a company that  
12 the manufacturers have set up. We are part of  
13 that. We're not one of the owners of the  
14 company, but we're part of that, and I'd be  
15 happy to have them come in and work with you  
16 and tell you how they could set up such a  
17 system.

18 SENATOR WHITE: I would like to hear more  
19 from them. The only problem with a fee like  
20 that is if people choose not to pay it, they  
21 simply throw it away --

22 MR. ERDHEIM: Right.

23 SENATOR WHITE: -- in an unlicensed way.

24 MR. ERDHEIM: And I said that would not be  
25 our first choice, but it is I think an

1 acceptable choice, and I guess I would say if  
2 people aren't willing to pay a \$10 fee, then we  
3 probably got a lot bigger problems in society  
4 than just E-waste. There aren't enough  
5 policemen in the country to monitor all of the  
6 laws. We have to live by voluntary compliance,  
7 and I guess I would like to think that the vast  
8 majority of people would voluntarily comply  
9 with the law, but I certainly can't disagree  
10 with you that there might be some people that  
11 would try to take advantage of the system.

12 SENATOR WHITE: I mean, people are simply  
13 stockpiling them in garages and basements. I  
14 don't know that that's having any particular  
15 negative environmental effect.

16 MR. ERDHEIM: Right. And the other thing  
17 about that is they're stockpiling because they  
18 don't know what to do with it.

19 SENATOR WHITE: I have a couple in my  
20 house.

21 SENATOR RHOADES: Do you want some more?

22 MR. ERDHEIM: Fortunately, my parents  
23 recently moved, and the good news about that is  
24 that it forced my father to get rid of all the  
25 televisions that he was going to have me

1           inherent from him that he's ever had before.  
2           But I think if there's a convenient system that  
3           is set up, I think people will use it. If you  
4           make it relatively convenient for consumers, I  
5           think something like a \$10 fee is not going to  
6           be something that -- I think they would be  
7           happy to get rid of those sorts of products.

8           SENATOR WHITE: I just have one other  
9           question.

10          MR. ERDHEIM: Sure.

11          SENATOR WHITE: The Canadian model that  
12          you described where they collected a point of  
13          purchase fee and then paid an industry --

14          MR. ERDHEIM: Right.

15          SENATOR WHITE: -- sponsored organization  
16          to run the actual recycling, is that  
17          profitable?

18          MR. ERDHEIM: No. No. This is all a  
19          break even business. As I mentioned, the  
20          cathode ray tubes are cost negative, and again,  
21          there's someone here I know you have on the  
22          agenda from the recycling industry. I would  
23          defer to him, but everything I've heard is that  
24          CRTs are going to be cost negative as far as  
25          the eye can see because really all it is is

1           just five or six pounds of CRT leaded glass.  
2           Historically what the leaded glass was used for  
3           was to make more CRTs. Well, we're now out of  
4           the CRT business,

5           You could smelt the glass to recover the  
6           lead, but there's hardly any smelters left in  
7           the United States, so a lot of the glass once  
8           it's separated will get shipped overseas. So  
9           that's really the problem, Senator White. When  
10          you really get down to it, if we could  
11          magically make CRTs disappear today, you  
12          wouldn't be having this hearing.

13          And just to give you a couple of examples,  
14          the Postal Service has announced it's going to  
15          have a nationwide recycling program where they  
16          will give you postage-free mailers for small  
17          electronics, and I can provide the Committee  
18          more details on that. Costco has a program  
19          where if you bring in most types of  
20          electronics, you can go to their web site, put  
21          in the model, and they will actually give you a  
22          store credit for most of the electronics, so  
23          again, you see things like that.

24          There are other companies that are  
25          collecting. That suggests to me that there's

1 value in those products, but what you won't see  
2 in any of them is the cathode ray tubes, and  
3 that's really the heart of the issue. I don't  
4 like the term E-waste, because again, once we  
5 get past cathode ray tubes, the new products  
6 have a lot of metal in them, and as Mr. Fidler  
7 said, the commodity markets are high.

8 In my opinion as a University of  
9 Pennsylvania trained economist, I believe  
10 they're going to go higher, so anything that  
11 has a metal is going to be a valuable product  
12 going forward.

13 SENATOR WHITE: We had a hearing on scrap  
14 metal theft, so we understand that.

15 MR. ERDHEIM: Right. And the problem is  
16 that a cathode ray tube has very little metal  
17 in it. It's mostly the leaded glass. That  
18 boils it down in a nutshell.

19 SENATOR WHITE: So the CRTs are the  
20 problem.

21 MR. ERDHEIM: Yes. In my opinion, yes.  
22 But it's most of the problem. Again, I would  
23 defer to the representative from the recycling  
24 community. I've heard some other things about  
25 that printers may be a problem. I'm not in the

1 printer business, so I can't comment one way or  
2 the other, but I think we would agree the  
3 overwhelming problem is the cathode ray tubes.

4 SENATOR WHITE: Any other questions?  
5 Thank you very much.

6 MR. ERDHEIM: Thank you.

7 SENATOR WHITE: If you would provide any  
8 of that other material to me, please, I'll see  
9 that the Committee members see it. What was it  
10 you said you could provide? The information on  
11 the Postal Service program.

12 MR. ERDHEIM: Yes. Patrick, we'll chat  
13 afterwards, and you let me know what  
14 information you want.

15 SENATOR WHITE: Thank you.

16 MR. ERDHEIM: Thank you.

17 MR. HENDERSON: Our next witness is  
18 Valerie Rickman, Environmental Affairs Analyst  
19 for the Information Technology Industry  
20 Council.

21 MS. RICKMAN: Good morning. Thank you,  
22 Senator White and Senator Musto, and members of  
23 the Environment Resources and Energy Committee  
24 for the opportunity to participate in this  
25 hearing. I am Valerie Rickman, Environmental

1           Affairs Analyst for the Information Technology  
2           Industry Council. I am here today to speak on  
3           behalf of the approximately 70 companies that  
4           are members of the Environmental Leadership  
5           Council at ITI.

6           The Environmental Leadership Council at  
7           ITI represents many leading manufacturers of  
8           computers, televisions, video display devices,  
9           printers and other electronic equipment,  
10          including the two manufacturers represented  
11          today.

12          Our member companies have long been  
13          leaders in innovation and sustainability. Many  
14          of our members go beyond requirements on  
15          environmental design and energy efficiency and  
16          lead the way in product stewardship efforts.

17          In fact, electronics manufacturers have  
18          recovered over 2 billion pounds of electronics  
19          products for sound management and are already  
20          involved in numerous partnerships with the U.S.  
21          Environmental Protection Agency, states,  
22          retailers and NGOs. As a result, such  
23          prestigious indices as the Dow Jones  
24          Sustainability Index, the Financial Times  
25          Sustainability Index and the Global 100 have

1 consistently recognized numerous ITI members  
2 for their concrete environmental and  
3 sustainability achievements.

4 ITI and our member companies have been at  
5 the forefront in taking action to support the  
6 safe and appropriate recycling of used  
7 electronics products to help meet the important  
8 environmental goal of resource conservation and  
9 recovery.

10 As a leading advocate of the high-tech and  
11 electronics industries, ITI appreciates the  
12 opportunity to provide the views of our  
13 membership concerning the end-of-life  
14 management of our products. On behalf of ITI,  
15 I look forward to working with this committee  
16 to discuss the challenges and opportunities  
17 surrounding electronics recycling.

18 As has already been mentioned, fourteen  
19 states -- Missouri's Governor just signed a Bill  
20 two days ago -- as well as New York City, have  
21 already enacted electronics recycling  
22 legislation. Several different approaches have  
23 been taken at the state level to manage  
24 end-of-life electronics, and determining which  
25 approach to use for electronics recycling

1           legislation is a difficult task. My testimony  
2           will discuss the approaches that states are  
3           taking, and I will share our recommendations for  
4           key policy elements of an electronics recycling  
5           system.

6           As has already been mentioned, given the  
7           complex nature of the challenge, ITI supports  
8           efforts to establish a viable recycling  
9           infrastructure in which all major stakeholders,  
10          manufacturers, retailers, government, NGOs and  
11          recyclers, participate based on their unique  
12          expertise and capabilities.

13          The combined goal of these institutional  
14          stakeholders should be to develop a recycling  
15          infrastructure that is convenient for the  
16          residential consumer, meets environmentally  
17          sound management principles and minimizes  
18          costs.

19          Implementing a system based on principles  
20          of shared responsibility will increase the  
21          efficient collection of electronics and ensure  
22          economies of scale by taking advantage of  
23          existing infrastructure. Existing  
24          infrastructure includes municipal waste  
25          collection systems and reverse distribution

1 systems that rely on established product  
2 distribution and retail channels. Given that  
3 there is no truly national or even regional  
4 collection and transportation infrastructure  
5 for electronics, making use of these systems  
6 is critical.

7 The vast majority of electronics  
8 products are sold through traditional  
9 distribution and retail channels. In general,  
10 manufacturers sell products in bulk to  
11 distributors, who sell them to retailers, and  
12 retailers in turn sell them to consumers  
13 through a network of retail locations.

14 As has already been said by Mr. Erdheim,  
15 these products have years of useful life. A  
16 TV's approximately 15 years and IT equipment 7  
17 to 8 years. After they're used, they're often  
18 resold, passed on to friends or family members  
19 or donated to schools or charities.

20 In most cases manufacturers do not have a  
21 direct relationship with the end user at the  
22 time of initial sale, let alone years later  
23 when the product is ready to be placed into the  
24 recycling stream. Given the way our products  
25 are manufactured, distributed and sold, it is

1 clear that each stakeholder can and should  
2 bring its own strengths and capabilities to the  
3 table under a shared responsibility model.  
4 Manufacturers can best fulfill our role by  
5 continuing with our broad and successful  
6 efforts to design products that are lighter,  
7 more efficient and more environmentally  
8 friendly and easier to upgrade and recycle. We  
9 will also continue to participate as a key  
10 partner in efforts to develop a broader  
11 national approach to electronics recycling.

12 Retailers can likewise make unique  
13 contributions. Unlike any other stakeholder in  
14 the process, retailers have millions of  
15 face-to-face interactions with consumers every  
16 year. When consumers come into a retail store  
17 to purchase a new computer or television, it is  
18 often to replace an older unit that is ready to  
19 be collected and recycled. Many retailers have  
20 already participated in successful recycling  
21 events, and Mr. Erdheim has already said, there  
22 is already enacted or put into place recycling  
23 collection events or collection infrastructure.

24 Best Buy just in fact announced they are  
25 going to begin piloting a program throughout

1           the United States in different jurisdictions  
2           for electronics recycling in their stores.  
3           Because of their direct and special  
4           relationship with the public, their numerous  
5           stores and their existing transportation  
6           distribution networks, retailers have a vital  
7           role to play.

8           For their part, recyclers need to provide  
9           their services in a safe, cost-effective and  
10          environmentally sound manner, and DEP can  
11          certainly play its role in educating consumers  
12          on proper ways to recycle their electronics and  
13          what options are available through them.

14          States have embraced several different  
15          systems for financing electronics recycling,  
16          and different entities often bear  
17          responsibility for collection, transporting,  
18          consolidating and recycling used devices. For  
19          example, as has already been said, California  
20          has adopted a point of sale fee to provide for  
21          all costs. Maryland collects annual  
22          registration fees from manufacturers to help  
23          provide grants to municipalities to run local  
24          collection and recycling programs.

25          Maine requires its municipalities to

1 collect covered devices from its residents, and  
2 manufacturers pick up the financial obligations  
3 once the devices have been delivered to a  
4 consolidator.

5 Minnesota and New York City require  
6 manufacturers to bear all legal and financial  
7 obligations from collection through recycling,  
8 an approach that violates the principles of  
9 shared responsibility and is proving  
10 excessively expensive.

11 In January, ITI adopted a recycling  
12 framework that calls for a bifurcated financing  
13 approach for electronics recycling. The ITI  
14 policy calls for financing TVs separately from  
15 desktop computers. Senator Williams, this is  
16 getting to what you had brought up earlier.

17 In recognition of these market  
18 differences, the ITI recycling framework calls  
19 for an advanced recovery fee for televisions.  
20 In cases where an advanced recovery fee is not  
21 a viable legislative solution, we advocate for  
22 payment obligations based on market share for  
23 television manufacturers.

24 We have significant concerns regarding any  
25 electronics recycling legislation that disrupts

1 the market playing field, particularly for  
2 televisions, by imposing costly requirements on  
3 some manufacturers today while delaying  
4 obligations for others. A financing system  
5 based on return share for television  
6 manufacturers will have this exact effect, and  
7 we cannot support this approach.

8 For example, Vizio, similar to  
9 Westinghouse, did not exist in the U.S. TV  
10 market until 2003. Vizio, Syntax-Brilliant and  
11 Westinghouse Digital Electronics all already  
12 possess significant market shares in the U.S.  
13 TV market, and while certain market factors,  
14 including product life-span, number of  
15 competitors and institutional customer base,  
16 they do not make this as much of an issue for  
17 computers. It is a critical issue for  
18 television manufacturers.

19 In recognition of the differences in  
20 market conditions for televisions and IT  
21 equipment, several states have adopted laws  
22 that base recycling obligations for television  
23 manufacturers on market share, and these states  
24 include Connecticut and New Jersey.

25 As far as covered entities and products

1           are concerned, ITI supports recycling  
2           legislation that covers laptop computers,  
3           desktop computers, computer monitors and  
4           televisions. We believe that legislation  
5           should only include products whose existence in  
6           the recycling stream has already earned -- the  
7           waste stream is already well known, and we  
8           think the inclusion of any additional products  
9           in legislation should be considered once a  
10          program is up and running.

11           ITI also advocates for laws that only  
12          cover consumer equipment or equipment that is  
13          sold to households. We believe that  
14          government, business and institutions, they're  
15          already required by law to properly manage  
16          certain obsolete electronic equipment.

17           And I can give you more information on  
18          these particular laws and other asset  
19          management services that are provided by  
20          companies that lease and sell this government  
21          business and institutional products to  
22          businesses.

23           Regarding performance metrics, there's  
24          several different approaches towards tracking  
25          recycling rates. Maine and Connecticut have

1 state-run programs in which manufacturers pay  
2 to recycle what consumers choose to turn in.  
3 Minnesota and New York City have established  
4 performance standards that tie recycling  
5 requirements for manufacturers to sales of  
6 products and impose costly penalties for  
7 manufacturers that do not meet collection  
8 requirements.

9 We have significant concerns about any  
10 program that establishes performance standards  
11 for electronics manufacturers. First of all,  
12 manufacturers cannot compel private citizens to  
13 turn in their property at all, let alone  
14 according to some statutory schedule.

15 To penalize manufacturers for the actions  
16 or nonactions of others is unfair and a  
17 violation of due process. Finally, as I have  
18 already said, manufacturers are several steps  
19 removed from the consumer and do not have the  
20 relationship with consumers that retailers  
21 typically have.

22 Consequently, we recommend the adoption of  
23 performance goals instead of performance  
24 standards. Performance goals should be based  
25 on recycling data from the State of

1           Pennsylvania. It should not be tied to costly  
2           penalties for noncompliance.

3           In conclusion, our industry supports a  
4           recycling system that is based on the goal of  
5           achieving collection that meets the needs of  
6           consumers while simultaneously maximizing  
7           environmental benefits and minimizing costs, and  
8           I will be happy to take any questions that you  
9           have.

10          SENATOR WHITE: A question. You indicate  
11          that Maryland collects annual registration fees  
12          from manufacturers and then provides grants to  
13          municipalities for collection. That seems to  
14          make some sense, but do they charge the same  
15          fee to every manufacturer, a flat fee?

16          MS. RICKMAN: Every manufacturer has a  
17          \$5,000 fee.

18          SENATOR WHITE: So it's a flat amount?

19          MS. RICKMAN: Yes.

20          SENATOR WHITE: Any other questions?

21          Thank you very much.

22          MS. RICKMAN: You're very welcome.

23          MR. HENDERSON: Our next witness is Brian  
24          Rider, President of the Pennsylvania Retailers'  
25          Association.

1                   MR. RIDER: Good morning. Thank you,  
2 Chairman White, Chairman Musto and members of  
3 the Senate Environmental Resources and Energy  
4 Committee. I appreciate the opportunity to  
5 present comments regarding electronic waste  
6 today, and my name is Brian Rider, representing  
7 the Pennsylvania Retailers' Association.

8                   Consumers electronic products are  
9 manufactured globally, are shipped through a  
10 distribution channel that takes them at their  
11 genesis across multiple borders at the very  
12 least within the U.S., and when an individual  
13 product has reached the end of its useful life  
14 for the original consumer, it may still be  
15 reused or refurbished before it is ready to be  
16 recycled, the universal three Rs.

17                  All stakeholders in this relationship  
18 chain, manufacturers, retailers, consumers,  
19 collectors, processors, Federal, State and  
20 local governments, should be encouraged and  
21 educated to be an active part of a system.

22                  Products need to be handled and disposed  
23 of safely and responsibly at the end of life.  
24 In addition, these products should be  
25 encouraged to have as much recyclable materials

1           in them as possible so that there is minimal  
2           amount of waste.

3           The Pennsylvania Retailers' Association  
4           supports producer responsibility legislation.  
5           By supporting producer responsibility, the  
6           Legislature can recognize not only the trend  
7           that is sweeping the globe and the country, but  
8           the legal structure surrounding producer  
9           responsibility that has been adopted in every  
10          state that has passed electronics recycling  
11          measures since California's onerous consumer  
12          fee based approach implemented more than five  
13          years ago. The producer responsibility model  
14          has been unanimously supported by the Council  
15          of State Governments.

16          Retailers who sell consumer electronics are  
17          in the middle, quite literally, of the  
18          distribution chain that begins with the design  
19          and manufacture of a product and ends with the  
20          product being discarded by its final owner at  
21          its useful end of life and how its contents are  
22          managed. Retailers have been working with all  
23          stakeholders for many years in trying to craft a  
24          comprehensive cradle-to-cradle Federal approach,  
25          and, when necessary, to respond to individual

1 state initiatives.

2           Retailers recognize the best way to create a  
3 sustainable recycling system over time is to  
4 create a system that will allow for many to  
5 establish convenient, economical and flexible  
6 programs as possible and bring down the costs  
7 for consumers. The producer responsibility  
8 model allows for this by allowing the  
9 marketplace to work, as well as allowing for  
10 manufacturers to incorporate the cost of  
11 recycling into the product price allowing for  
12 and encouraging more recyclable materials in  
13 products.

14           We recognize their critical role in helping  
15 consumers become more aware of collection  
16 opportunities and establish or sponsor voluntary  
17 collection events, as well as work with  
18 manufacturing partners, where possible, to help  
19 meet requirements under producer responsibility  
20 laws.

21           Retailers have also assumed their role and  
22 responsibility of manufacturer on their private  
23 label products, taking on the responsibility of  
24 the producer in the coordination of a recycling  
25 program. In addition, as is evident in states

1           that have a robust and working producer  
2           responsibility model, the system is bringing in  
3           ample products and recyclers are receiving  
4           payments for those products.

5           Any program or system that is established,  
6           however, under a producer responsibility model  
7           that manages a product at its end of life must  
8           be simple, as nonbureaucratic as possible, allow  
9           for manufacturer flexibility, but also be  
10          accountable and auditable.

11          A comprehensive system should also  
12          encourage design innovation, provide consumers  
13          with a variety of reasonably convenient choices  
14          to encourage proper disposal, and give  
15          manufacturers the flexibility they need,  
16          consistent with their individual business  
17          models.

18          Retailers would encourage the Pennsylvania  
19          Senate and the Pennsylvania General Assembly to  
20          consider a producer responsibility model  
21          similar to that of other states and unanimously  
22          passed by the Council of State Governments as  
23          the preferred model of legislation. We believe  
24          that by working with a growing number of states  
25          and countries and manufacturers, as well as

1 environmental groups, national scrap recyclers,  
2 and a successful system for electronics  
3 recycling can be created without requiring  
4 taxes at the point of sale, without having to  
5 create complex administrative structures and  
6 without mandates that discourage innovation.

7 Collecting fees on products at the point  
8 of sale does not necessarily equate to the  
9 proper handling of such products at their end  
10 of life. In addition, there is no incentive to  
11 bring the fees down, and this is especially  
12 evident right now in California.

13 The California Integrated Waste Management  
14 Board will raise the fees that consumers pay at  
15 point of sale in order to support the program  
16 that the Legislature has put in place. The  
17 fees that they will institute by regulation  
18 will likely be as high as \$25 per television  
19 with a screen size greater than 35 inches,  
20 which is up from the current \$10 fee. This  
21 cannot be welcome for consumers, retailers or  
22 manufacturers in their economy.

23 Pennsylvania in particular, and our nation  
24 as a whole, have a unique opportunity to move  
25 forward in a direction that now creates a

1 progressive producer responsibility system  
2 encouraging the market to drive to an effective,  
3 efficient and environmentally sound solution.

4 Again, we greatly appreciate the  
5 opportunity to testify today on electronic  
6 waste recycling legislation, and I especially  
7 thank Senator Williams for bringing the issue  
8 to a point of discussion here in the Committee,  
9 and although I am far from an expert on this  
10 subject, I am happy to try to attempt to answer  
11 any questions the members may have. Thank you.

12 SENATOR WHITE: Well, what do you see the  
13 retail role as being? I know this producer  
14 responsibility model, it sounds like I'm buck-  
15 passing here. I mean how do we use the  
16 producer responsibility model on foreign  
17 producers, for example?

18 MR. RIDER: Honestly, Senator White, I  
19 can't answer that on foreign producers. I can  
20 get you an answer though in talking to our  
21 stores that have experienced this. Again, all  
22 the other states that have adopted this  
23 legislation except California have adopted the  
24 producer model.

25 SENATOR WHITE: Well, I don't like the

1 California model, I can tell you that. I have  
2 had some experience with those advanced  
3 disposal fees and with that Integrated Waste  
4 Management Board, and I think it's very costly.  
5 Whenever you have the government running a  
6 system like that and collecting lots of money,  
7 it creates problems. I think it does not serve  
8 California taxpayers or customers very well.

9 MR. RIDER: We would support your position  
10 on that.

11 SENATOR WHITE: But there's got to be a  
12 better way, and I don't know if the producer  
13 responsibility model gets us there. Any  
14 questions? Senator Williams.

15 SENATOR WILLIAMS: Thank you, Brian. Dell  
16 requires that manufacturers take back their  
17 products, but it also requires the retailers to  
18 verify the products are labeled and on the  
19 State's website of manufacturers with recovery  
20 plans. Would that be cumbersome for the  
21 retailers to do something like that?

22 MR. RIDER: I don't believe so, but I will  
23 get back to you as soon as possible on that if  
24 that's something that can be supported.

25 SENATOR WILLIAMS: All right. Thank you.

1 MR. RIDER: You're welcome.

2 SENATOR WHITE: Any other questions?

3 Thank you.

4 MR. RIDER: Thank you.

5 MR. HENDERSON: Our next witness is Fran  
6 Valluzzo, Manager for State and Local  
7 Government Affairs for Dell, Incorporated.

8 MR. VALLUZZO: Good morning. My name is  
9 Fran Valluzzo. I'm the Manager for State and  
10 Local Government Affairs for Dell. I want to  
11 thank Senator White, Senator Musto and the  
12 members of the Committee for the opportunity to  
13 provide testimony on this important issue.

14 Dell is a global IT products company, and  
15 IT products, information technology products  
16 include computers, peripherals and a variety of  
17 other attachments that go on the computers,  
18 including the CRTs and flat-screen monitors  
19 that are used in connection with them.

20 We are the only company, computer  
21 manufacturing company, that actually produces  
22 computers in the United States, so I want to  
23 talk a little bit about, there's a lot of  
24 things that have come up this morning, and I  
25 want to sort of go through my presentation, but

1 I want to also comment on a few of the things  
2 that have been said as we've gone through the  
3 hearing this morning.

4 We've developed a global recycling policy  
5 that is based on more than a decade of  
6 experience. We are providing recycling and  
7 reuse services directly to our customers, and  
8 we announced a year ago that we will provide  
9 free recycling to consumers anywhere in the  
10 world at no cost, so we believe in the  
11 statement that no computer should go to waste.

12 Our program is designed to prevent any  
13 part of the computer product to end up in a  
14 landfill. When we say no computer should go to  
15 waste, we mean that the computer should be  
16 reused if it's got some life in it either  
17 through donation or second sale, or if it does  
18 not, it should be recycled and the commodity  
19 products within that computer should be  
20 disposed of properly and recycled and perhaps  
21 sold on the open market, a commodity market.

22 We work with a lot of organizations,  
23 including the National Cristina Foundation, for  
24 donation of refurbished computers, and we have  
25 a network of collection points with Goodwill

1 Industries around the country. It's a growing  
2 project with Goodwill. We're very proud of it.  
3 We've got a program, it's called the Reconnect  
4 Program, and it's up and running in both  
5 Pittsburgh and Philadelphia, and we would like  
6 to make that statewide someday here in  
7 Pennsylvania. It is statewide in a number of  
8 other states.

9 We believe that as producers of computers  
10 and information technology products we have the  
11 ultimate responsibility to provide for the  
12 recycling and reuse of other products that bear  
13 our brand name, and we've developed model  
14 legislation that I believe all of you have a  
15 copy of with that objective in mind.

16 I want to point out that the model that  
17 we're showing you is a model that addresses  
18 only the IT products, not televisions, but I  
19 will tell you that Dell is a member of ITI,  
20 which you heard this morning from Valerie  
21 Rickman, and works with Philips, who is also a  
22 member of ITI, in coming up with a proposal to  
23 deal with other products, including TVs, that  
24 are at issue in terms of electronic recycling,  
25 so I'm addressing strictly the IT side of the

1 equation, but we are working with other members  
2 in the industry. We agree that there are  
3 differences between how you deal with TVs and  
4 how you deal with computers.

5 We know computers. We believe the  
6 producer responsibility model is best for  
7 computers. We think that there are different  
8 types of producer responsibility models, and  
9 our model is one type of producer  
10 responsibility model, the one we think is the  
11 most efficient.

12 We've seen a lot, and it was mentioned  
13 earlier, we've seen a lot of activity this year  
14 in the area. Four states had recycling bills  
15 before the 2007-2008 legislative sessions, and  
16 a host of the other states have joined those  
17 ranks. Five states have enacted the Dell  
18 model, the one that we supported, the producer  
19 responsibility model, Texas, Virginia, West  
20 Virginia, Oklahoma and Missouri, and there are  
21 a number of other states that have considered  
22 this model, including Tennessee, South  
23 Carolina, Massachusetts and Michigan.

24 I'd like to briefly discuss with you some  
25 of the elements of this model. You have a copy

1 in front of you, and I'd be glad to answer any  
2 questions you might have. I'd first like to  
3 say we agree with the Department that the most  
4 cost-effective way is for the manufacturers to  
5 assume responsibility for their branded  
6 products and to run the programs in the most  
7 cost-efficient and cost-effective way possible.

8 Our model is a consumer-friendly,  
9 effective and efficient means of dealing with  
10 the products, but it's for electronic products  
11 only, not TVs, as I mentioned. The  
12 responsibility is at a manufacturer for the  
13 collection and recovery of the IT products, and  
14 they must do so at no cost to the consumer.

15 The manufacturers under this model have  
16 the flexibility to design their own programs,  
17 including with other partners, such as other  
18 manufacturers, in groups of manufacturers, not  
19 private groups such as Goodwill, as I  
20 mentioned, recyclers and other third parties.

21 The key that our model is that a  
22 manufacturer cannot sell its products in the  
23 state unless it carries the manufacturers'  
24 brand and it has established and operates a  
25 recycling and recovery program. How does this

1 benefit consumers? Well, it benefits consumers  
2 in a number of ways. First of all, there is no  
3 cost to the consumer. Dell has a mail-back  
4 program, for example, that allows the consumer  
5 to download and print a mailing label in the  
6 computer on our web site and put that label on  
7 a box, and we will pick up the box at their  
8 door and ship it at no cost to a recycling  
9 center. That is for Dell products.

10 If you purchase a Dell product, we will  
11 recycle at no cost the same way your non-Dell  
12 brand to one of our recycling centers. I  
13 should also point out that our collection  
14 points with our partners, such as Goodwill,  
15 receive all brands and we take all brands as  
16 part of the collection program.

17 The convenience of these programs such as  
18 the Dell home pickup and other programs give  
19 the consumers the incentives to really -- to  
20 recycle properly. Senator Musto mentioned that  
21 there are no incentives. We suggest that no  
22 cost to the consumer, the convenience of home  
23 pickup or nearby collection points are very  
24 real incentives that will help the consumer  
25 make that decision. Now, granted,

1           Senator White mentioned that, you know, she's  
2           got a few computers in her basement, and a lot  
3           of people have reluctance to get rid of their  
4           old computers, not simply because it may cost  
5           them ten or fifteen dollars to have somebody  
6           take it off their hands, but also because there  
7           may be some information on there.

8           Somebody mentioned that they have a  
9           college computer that's had some old term  
10          papers on it that they didn't want to get rid  
11          of or financial data or personal information or  
12          spreadsheets that they used with regard to  
13          their home expenses, so there may be some  
14          concern about putting that into the waste  
15          stream or putting it on their curb for pickup  
16          or dropping it off at a place and how that  
17          might be used.

18          The Government's role is important in this  
19          process. The Government must enforce the  
20          requirement that all products are branded. If  
21          a product is not branded properly and is being  
22          sold, then that company can be forced out of  
23          the market and can be fined and penalized for  
24          failure to comply with the law.

25          They must ensure that all manufacturers

1 file and operate recovery programs that are in  
2 compliance with the law, that provide  
3 convenience, no charge, effectiveness and allow  
4 consumers to efficiently get rid of their old  
5 computer products, and also it is a key point  
6 that the manufacturers and the Government  
7 should be in a partnership to educate  
8 consumers.

9 We need to make people aware of the  
10 availability of free recycling, but it should  
11 be pointed out that you really can't force  
12 people to give up their old products. This is  
13 personal property. And so states that have,  
14 for example, Minnesota was mentioned, states  
15 that have performance standards that require us  
16 to collect a certain percentage of our sales or  
17 be penalized really are pretty arbitrary,  
18 because we can't really guarantee that people  
19 are going to be willing to give us those old  
20 products, so how can we meet an artificial  
21 standard if we don't have access to the  
22 materials that allow us to reach that standard?

23 We need to provide greater incentives to  
24 consumers to give up their old products, and by  
25 the way, we offer help on how to clean their

1 hard drives or disable their hard drives before  
2 they turn them in, so if that's a concern, we  
3 can help them resolve that.

4 I'd like to talk a little bit about what  
5 the program does not do, what our model does  
6 not do. It does not place additional taxes or  
7 fees on consumer purchases at the front end.  
8 We've seen and talked a little bit about  
9 California is the only state, recently  
10 California has decided to raise its rates,  
11 nearly doubling them I believe, and they're  
12 also reducing the amount per pound that they're  
13 paying the recyclers for handling the  
14 materials, so it seems to be caught in a  
15 bureaucratic quagmire in California, and it's  
16 not really running very efficiently. We would  
17 maintain that it's more efficient to have the  
18 manufacturers design programs that are  
19 innovative, cost-effective and can reach as  
20 many consumers as possible.

21 Our program does not require the  
22 establishment of extensive government programs.  
23 We assume the full responsibility, but we do  
24 that with the ability to be able to design  
25 programs that are cost-effective and meet

1 consumers' needs.

2 The model does not require the imposition  
3 of fees on manufacturers, although we've seen  
4 this registration fees, as it was called  
5 earlier, have developed in many states. If  
6 there are going to be registration fees, we ask  
7 that they be kept to a minimum and that they be  
8 used for the administrative costs of running  
9 the program at the state level rather than  
10 providing grants and actually establishing  
11 programs like California has done.

12 In summary, I'd like to just say that we  
13 believe that this program will address the  
14 recycling issue by forging a partnership  
15 between consumers, manufacturers and  
16 government. It will avoid the inefficiencies  
17 of any of the government programs we've seen  
18 around the country, including California, and  
19 will help raise awareness among the general  
20 public about the proper ways of disposing of a  
21 computer system.

22 We don't want to call these products  
23 consumer waste, because we don't believe  
24 they're waste. We believe they're commodities,  
25 recyclable commodities that can be used again

1           either in a recycled form or in donated or  
2           resold form as refurbished products. So with  
3           that, I'd like to thank you again for the  
4           opportunity and for your attention and answer  
5           any questions you might have. Thanks.

6           SENATOR WHITE: Go ahead, Senator Musto.

7           SENATOR MUSTO: Yes. Good morning.

8           MR. VALLUZZO: Good morning.

9           SENATOR MUSTO: Your model legislation  
10          states consumer benefit from convenience of  
11          manufacturer collection programs such as Dell's  
12          free home pickup --

13          MR. VALLUZZO: Right.

14          SENATOR MUSTO: -- of IT products. How  
15          will that work?

16          MR. VALLUZZO: Well, it's working now, and  
17          the way it works is, as I mentioned, is you  
18          either have an old Dell product in your  
19          basement or you get a new Dell product. You  
20          take the packaging material. You put a label  
21          on it that you can print off of your computer  
22          from the Dell web site that identifies the  
23          location of the recycler, the nearest recycler  
24          to your zip code.

25          The label goes on the box, and you call

1 for a pickup, and one of our shippers will pick  
2 up the box on your front porch and deliver it  
3 to the nearest recycling center based upon your  
4 zip code. This is at no cost. It's post-paid.

5 SENATOR MUSTO: I'm sure it works great,  
6 but is it very costly?

7 MR. VALLUZZO: It probably -- I'm not sure  
8 of the exact cost per unit, but it's free to  
9 the consumer, and I will tell you that it does  
10 play a significant role in our program, so we  
11 do feel it is cost efficient to do it that way.  
12 We encourage the use of more I guess broader  
13 collection points such as Goodwill and others,  
14 but for those who don't have that option, who  
15 aren't near a Goodwill collection point or  
16 aren't near another facility where they can  
17 drop it off, they do have that free option to  
18 have it picked up at their front door, and  
19 that's anywhere in rural Pennsylvania, urban  
20 Pennsylvania, anywhere.

21 SENATOR MUSTO: Well, thank you.

22 SENATOR WHITE: I guess I don't understand  
23 the economics of this whole deal. We're being  
24 told that these commodities have a negative  
25 value.

1           MR. VALLUZZO: I'm not so certain -- I  
2           can't give you --

3           SENATOR WHITE: Am I talking about  
4           televisions here as opposed to --

5           MR. VALLUZZO: I think we're talking more  
6           about televisions, because my understanding  
7           is -- and I think I've got my facts straight  
8           here. When we get products that are turned in  
9           in collection, either events that we have,  
10          Earth Day events, that type of thing, or  
11          Goodwill collection centers, they are brought  
12          to a facility that first tests them to see if  
13          they have any useful life, and they actually  
14          do -- they actually have a computer center that  
15          tests them. They hook up their hard drives.

16          If they fail and they can't be repaired,  
17          then they're put into the commodity recycling  
18          bin, and materials are separated. They're all  
19          handled separately. They're carefully dealt  
20          with. If they do have some life left and they  
21          can pass a test and the hard drive is still in  
22          good shape, they're refurbished. I'm told that  
23          more than half of those products are  
24          refurbishable and resold, so that there's a  
25          secondary market for sort of used computers

1           that have some life left in them, they have a  
2           big enough hard drive to handle today's needs  
3           with regard to Internet access and at least  
4           certain things. Now, maybe not the types of  
5           movie downloads and other things that are  
6           required.

7           So, yes, I would say there is value in  
8           these products. We have a network of recyclers  
9           that we work with that provide us with the  
10          services to both separate the refurbishable  
11          products from the recyclable products.

12          SENATOR WHITE: How would this work with a  
13          foreign manufacturer?

14          MR. VALLUZZO: Foreign manufacturers? The  
15          way our Bill addresses it is a manufacturer is  
16          defined as someone whose name is on the brand.  
17          If, for example, a retailer has a brand on  
18          there that's the retailer's brand but they  
19          purchase the product overseas, produced  
20          overseas, they become responsible for that  
21          product once it has their brand on it, so if  
22          you get a product that has a foreign brand on  
23          it, a company, you know, overseas, they still  
24          have responsibility for that, and they would be  
25          unable to sell that product in the United

1 States in any state with this program unless  
2 they had a recovery program and had branded  
3 their product properly.

4 I will also say just as an example, Lenovo  
5 is a foreign based company, but they assume  
6 responsibility for their products, and they  
7 sell in the United States as well.

8 SENATOR WHITE: So unlike televisions, you  
9 are able to simply include these costs in the  
10 cost of your product?

11 MR. VALLUZZO: We are. And I think it is  
12 because there is some value after life, and I  
13 think that's how we sort of break even. The  
14 other thing is that we sort of see a certain  
15 value to our brand name to be associated with a  
16 product that environmentally is handled  
17 properly, that handles products in a way that's  
18 environmentally safe and sound, and we think  
19 that there is a consumer interest in dealing  
20 with a company that has that reputation.

21 SENATOR WHITE: Senator Williams, did you  
22 have a question?

23 SENATOR WILLIAMS: What you described was  
24 a household program. Does this program work  
25 for corporations or school districts who are

1 government as well?

2 MR. VALLUZZO: This program is designed  
3 strictly for household consumers, and the  
4 reason for that is that anyone who has large  
5 amounts, either business or government or  
6 school systems, are required to recycle their  
7 products under the RCRA programs and other  
8 State and local -- State and Federal programs,  
9 and so they're already required to conserve and  
10 to recycle properly.

11 We have services that they can purchase  
12 from us, as do all companies, asset recovery  
13 services, that may be very specialized,  
14 security system, cleaning of hard drives,  
15 retention of data on old hard drives, recycling  
16 and reuse for maybe use in another part of the  
17 company. If it's a big corporation that's  
18 refreshing its computers systems, they can  
19 reuse them for other parts of the company, so  
20 we have asset recovery services that address  
21 directly the needs of business and governmental  
22 and school systems.

23 SENATOR WILLIAMS: Thank you.

24 SENATOR WHITE: Thank you very much.

25 MR. HENDERSON: Our next witness is John

1 Frederick, Executive Director for the  
2 Professional Recyclers of Pennsylvania.

3 MR. FREDERICK: Thanks, first of all, to  
4 the Committee for having us here today to talk  
5 about this important topic. Before I begin my  
6 prepared testimony, I would like to recognize a  
7 couple of folks, thanking the Chairs, first of  
8 all, for having the foresight to talk about the  
9 issue, but I'd also like to recognize DEP.  
10 They've done a lot of work on this behind the  
11 scenes.

12 They've had a staff person, along with  
13 Representative Ross, that has attended the  
14 Northeast Recycling Council's discussions on  
15 this topic, and I think they've made a lot of  
16 progress in trying to figure out where  
17 everything stands and how we might attack the  
18 issue.

19 And besides Representative Ross, I'd like  
20 to thank Senator Williams, too, for her  
21 interest in this issue over the last few years.  
22 It is an issue that many states have ignored,  
23 unfortunately, but I'm glad Pennsylvania is  
24 among those that is trying to tackle some of  
25 the difficult issues.

1           I hope that my testimony will offer some  
2           unique perspectives that can provide some  
3           insights into those that frequently are charged  
4           with coordinating local recycling initiatives,  
5           and with that perspective in mind, I hope that  
6           I might also be able to help the Committee  
7           better understand how the recycling public  
8           might react to the various options being  
9           explored and discussed.

10           It's not coincidental I suppose that some  
11           of the things that we might say reflect some of  
12           the testimony that's been offered, particularly  
13           by the gentleman from Dell, and I think that we  
14           learned a lot from some of the other states in  
15           the process of looking at what they have done.

16           I just want to give you some quick  
17           background here even though most of you are  
18           familiar with us. PROP, the Professional  
19           Recyclers of Pennsylvania, is a membership  
20           organization that boasts now about 600 members,  
21           about half of which are public sector and about  
22           half of which are private sector, and beyond  
23           our four or five dozen member counties that  
24           tackle some sort of hazardous waste program  
25           that includes electronics, we have several

1 firms that are members that focus specifically  
2 on electronics recycling, several others that  
3 address electronics, in addition to general  
4 hazardous waste recovery, a number of  
5 engineering and consulting firms that assist  
6 public and private sector entities with their  
7 special or hazardous waste handling, and we  
8 have more than a hundred municipal government  
9 members that are responsible for special waste  
10 collection programs within their jurisdictions  
11 as well.

12 I'm not going to spend a lot of time  
13 testifying to the number of obsolete electronic  
14 devices being generated each year. Mr. Fidler  
15 and others have noted some of those facts. But  
16 let me make one really very clear point, that  
17 overall, these things are not being handled as  
18 adequately as they need to be, and while a  
19 number of our County Government members and a  
20 growing number of manufacturers like Dell have  
21 established programs to recover these  
22 materials, many more from both groups have been  
23 unwilling or unable to address the challenging  
24 hazardous waste connected with these products.

25 Though the efforts of DEP have held

1           electronic recyclers more accountable, some US  
2           processors have been remiss in the manner at  
3           which they've handled these materials.

4           Additionally, it is impossible to police  
5           what is done once the material crosses the  
6           ocean to Asia. The challenges of inappropriate  
7           processing in the United States or exportation  
8           of materials overseas may seem to cry out for a  
9           national approach, but it seems that a piece of  
10          national legislation is unlikely in the  
11          immediate future.

12          The National Recycling Coalition, of which  
13          we are an affiliate, was part of a national  
14          stakeholders dialogue that seemed to end in an  
15          impasse, and in response to that, many states  
16          have moved forward on their own because of the  
17          difficulty in reaching a national consensus.

18          So if Pennsylvania, too, is to proceed  
19          with a state-based approach we believe that  
20          there are several important issues that should  
21          be kept in mind. Consumer convenience. All of  
22          our members that offered input have stressed  
23          the importance of convenience to the consumer.  
24          This holds true for recycling of all kinds I  
25          suppose, but it is especially true for products

1           that can be bulky and difficult to handle, as  
2           electronics can be.

3           As far as responsibility is concerned,  
4           state and local governments seem to frequently  
5           be burdened with an unfair portion of  
6           responsibility when it comes to recyclable  
7           collection and processing of all kinds, and  
8           especially when it comes to special wastes like  
9           these, and this is of particular concern, by  
10          the way, in light of county recycling fees  
11          having been declared illegal in State Courts,  
12          because electronics recycling are often funded  
13          by these programs in counties that use those  
14          fees to support county-based programs.

15          But that issue aside, when it comes to  
16          materials that can have toxic constituents,  
17          it's important that there be a greater share of  
18          responsibility assumed by the producer. This  
19          is not to say that local or county governments  
20          should necessarily be removed from the process  
21          in all cases. It simply means that they should  
22          not be solely responsible financially and  
23          logistically for yet another portion of the  
24          waste stream.

25          The flexibility in the program we think is

1           important. If the manufacturers and retailers  
2           are then to have a greater share of  
3           responsibility to recover and provide for  
4           processing of electronics, it's important that  
5           they have the flexibility they need to create  
6           systems well suited for their products or to be  
7           able to work with other partners.

8           We believe in fact that keeping interested  
9           partners like Goodwill and other nonprofits or  
10          county governments involved in the process is a  
11          benefit to all the parties. Beyond the  
12          obvious, this should also encourage the  
13          utilization of local and regional entities to  
14          handle these materials.

15          It's reassuring, by the way, to hear Dell  
16          utilizing the firms which are close to the  
17          generators of the materials. As far as  
18          manufacturers and retailers are concerned then  
19          we think it's important that all manufacturers  
20          and retailers be part of the program. Smaller  
21          companies must not be permitted to slip through  
22          the loopholes while the bigger players pay the  
23          freight.

24          That said, smaller firms should be able to  
25          easily partner with whomever is most practical,

1           again going back to this idea of program  
2           flexibility.  Whatever the details of the  
3           program, the retailers must be required to be  
4           sure that the brands they sell are actually  
5           paying into the system or providing for the  
6           mandated recycling.

7           As far as fees and financial supports is  
8           concerned, we believe that while every funding  
9           scheme has its advantages and disadvantages,  
10          that it's important to design a program that's  
11          not a bureaucratic burden to State Government.

12          I believe Senator White's points on the  
13          California program are very accurate and shared  
14          by many.  A workshop in fact sponsored by the  
15          Joint Legislative Conservation Committee  
16          earlier this year demonstrated that some  
17          states' approaches can be very administratively  
18          cumbersome, and the California approach that  
19          used or adopted upfront fees especially has  
20          been found to be very difficult and  
21          administratively challenging.

22          Something that we really haven't talked  
23          too much about today, and I suppose we'd talk  
24          about it a long time if we wanted to have a  
25          separate hearing on this, are the recycling

1 practices associated with electronics. To the  
2 extent practical, we hope that legislation  
3 could require proper handling of materials from  
4 the beginning to the end of the process even if  
5 the end of that process is beyond the borders  
6 of Pennsylvania.

7         Though it may go without saying, that  
8 proper collection, outside storage, sloppy  
9 handling that results in broken monitors, for  
10 example, or shipping to unregulated off-shore  
11 facilities must be clearly illegal to the  
12 extent that we can make that possible. We  
13 could talk for many years, as I said, about  
14 this, but suffice it to say, clear and  
15 stringent standards for recycling must be part  
16 of any legislation complementing or even  
17 enhancing the current regulatory requirements.

18         We're optimistic that enhanced producer  
19 responsibility will also encourage  
20 manufacturers to make electronics more  
21 recycling-friendly. While folks like Philips  
22 and Dell have adopted these sorts of approaches  
23 already, I think it's noteworthy that some  
24 companies certainly have not. So reducing the  
25 levels of toxins and making the recycling

1 process less dangerous and ultimately less  
2 expensive we think is a worthy goal.

3 To also repeat one other point that a  
4 couple of our speakers mentioned this morning,  
5 I think that any program requires an education  
6 element. It seems that a collaborative  
7 approach makes the most sense, and the DEP,  
8 manufacturers and retailers, as well as local  
9 governments and State Government to the degree  
10 possible all play a role in helping the public  
11 better understand whatever system is adopted.

12 I mention this because we too often forget  
13 that the value of public education in helping  
14 to assure better compliance and higher  
15 participation in any environmental program is  
16 too frequently overlooked. As the cover of our  
17 most recent magazine, which hasn't even  
18 probably gotten to people's mailboxes yet,  
19 says, "Trash is complicated," and this is  
20 certainly true of electronics recycling, and so  
21 there may be more than one way to successfully  
22 address this challenge, but the fundamental  
23 concerns remain, no matter which strategy is  
24 ultimately chosen, we hope the Committee will  
25 keep our points in mind as they contemplate

1           legislation, and as always, I invite any  
2           Committee members to feel free to give us a  
3           call on this or any related topic.

4           SENATOR WHITE: If I understand you  
5           correctly, you seem to be supporting a producer  
6           responsibility model with the retailer having  
7           the obligation to assure that any brands they  
8           sell, that the producers and manufacturers of  
9           any brands they sell are in fact participating  
10          in the program?

11          MR. FREDERICK: I think we would be open  
12          to, you know, other tweaking of the details,  
13          but I think fundamentally that seems to make  
14          sense to many of our members, yes.

15          SENATOR WHITE: Senator Williams.

16          SENATOR WILLIAMS: Thank you. Does your  
17          organization have a research arm? Is anybody  
18          doing research on how to better recycle  
19          products, what to do with them? Are you  
20          partnering with any of the universities on  
21          this?

22          MR. FREDERICK: We have talked a lot to  
23          our members, particularly those that are  
24          involved in electronics recovery themselves,  
25          but, no, we have not. It certainly would be

1 something we'd be open to doing. We've done  
2 survey research on other topics, and it would  
3 be something we would be open to trying to  
4 tackle, but, no, we have not.

5 SENATOR WILLIAMS: We certainly are  
6 thinking about how to deal with the old  
7 television tubes. The other question is do  
8 you -- I mean, I think that there are a great  
9 deal of, as we've heard today, new business  
10 opportunities with this field, and I actually  
11 had a conversation one night with a scrap metal  
12 dealer who had an old junkyard, and what he's  
13 saying is -- are those recyclers, the junkyard  
14 recyclers part of your association as well or  
15 are they different?

16 MR. FREDERICK: A few are, yes.

17 SENATOR WILLIAMS: They're saying as we  
18 get into the newer, newer cars are made with  
19 things that are less recyclable, and they're  
20 going to have to figure out how to make their  
21 business continue.

22 Certainly there are a lot of old cars full  
23 of metals and things that still need to be  
24 dealt with, so my thought was there seems to be  
25 opportunity here for using some of the old

1           techniques in recovery, morphing junkyards  
2           into --

3           MR. FREDERICK:   Yes.

4           SENATOR WILLIAMS:  -- TV graveyards or  
5           something.

6           MR. FREDERICK:  I might make one broad  
7           philosophical reflection relative to this.  
8           There's good news and bad news on this front,  
9           and I think the good news is that generally,  
10          and this goes beyond electronics, but I think  
11          generally manufacturers sometimes do not pay as  
12          close attention to the recyclability of the  
13          products that they manufacture, I mean even  
14          down to bottlers of beverages sometimes putting  
15          incompatible materials on containers.

16          But the good news is that the scrap  
17          industry and recycling industry I think  
18          continued to find innovative and new ways to  
19          recover those materials despite the sometimes  
20          ill-informed decisions that manufacturers make,  
21          and so I am discouraged on one hand that  
22          manufacturers do not universally look at these  
23          issues as they should like some of the folks in  
24          the room have done, but on the other -- I mean,  
25          we have some very proactive testifiers here

1           today in that regard, but, you know, I'm  
2           encouraged on the other hand that the recycling  
3           industry has found ways to recover some of  
4           those materials despite that.

5           SENATOR WILLIAMS: I know that we have  
6           these brand new light bulbs that have long  
7           lives and everybody is into energy  
8           conservation, but they have issues, too, when  
9           they're done on what we're going to do with  
10          them.

11          I do want to acknowledge that  
12          Representative Ross has been sitting here  
13          listening to the whole hearing, and I know he's  
14          done extensive work on this issue, and I hope  
15          as we go forward we can work with him and you  
16          can work with him and what he's done to come  
17          out with a solution that will benefit  
18          Pennsylvania. Thank you very much for having  
19          this hearing.

20          SENATOR WHITE: I also have -- thank you  
21          very much.

22          MR. FREDERICK: Thank you.

23          SENATOR WHITE: I have here testimony from  
24          the Council of State Governments, who have been  
25          doing extensive study of this, and I will

1           distribute this to the members, the ones who  
2           are here, as well as the ones who are absent.  
3           That concludes the hearing. Thank you,  
4           everyone, for your participation and attention.

5                     (Whereupon, the proceedings were concluded  
6           at 10:55 a.m.)

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CERTIFICATE

I hereby certify that the proceedings and evidence are contained fully and accurately in notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.

July 1, 2008

Date

\_\_\_\_\_  
Cindy L. Reilly, Notary Public  
Registered Diplomate Reporter

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