

**Consumer Electronics Retailers Coalition**



**Testimony of  
Michael Vitelli, Senior Vice President, Best Buy  
On behalf of the Consumer Electronics Retailers Coalition  
(CERC)**

**BEFORE THE HOUSE ENERGY & COMMERCE COMMITTEE  
ENVIRONMENT AND HAZARDOUS MATERIALS SUBCOMMITTEE**

**THE DEVELOPMENT OF A NATIONAL APPROACH TO ELECTRONIC WASTE MANAGEMENT**  
September 8, 2005

Chairman Gillmor, Ranking Member Solis and members of the Committee, I am Michael Vitelli, Senior Vice President of Consumer Electronics of Best Buy and am here today on behalf of the Consumer Electronics Retailers Coalition (CERC) to provide the views of CERC's membership on the need for a national electronics management system.

CERC very much appreciates the opportunity to provide the views of the consumer electronic and general retail industry concerning the need for a national approach to handling electronic devices at their end of life. We are also very appreciative, Mr. Chairman, of the leadership you have shown in holding this hearing today and providing a forum for interested stakeholders to express their views. We look forward to working with you and the members of this Committee to identify the best means of developing a national solution for electronic device recycling.

**BACKGROUND ON BEST BUY**

Let me begin by thanking the members of this Subcommittee as well as the full Committee for your leadership on energy issues related to the aftermath of Hurricane Katrina. Best Buy had 15 stores affected by the storm and 6 are still not functional. We have found all but 20 of our associates but are saddened to know that somewhere between 750 and 1000 are now homeless. We are working with those employees to secure needed support including temporary housing. As is our practice, employees affected by natural disasters remain on the payroll. We do our best to redeploy employees in other locations or provide them as local volunteers as needed. Our employees across the nation are active in their local communities, assisting where possible so trained disaster relief personnel can be deployed. The Company has

donated \$1 Million in relief funds to the American Red Cross and we have opened our point of sale systems in our stores to collect contributions from customers and the general public for the American Red Cross.

As you may know, Best Buy is the country's leading consumer electronics retailer with close to 700 stores in 49 of the 50 states and nearly 100,000 employees. The company started in 1966 with a single store in St. Paul, Minnesota and we continue to operate our headquarters in the Twin Cities. In addition to our product and service offerings, Best Buy is also known for our ongoing commitment to our communities, providing volunteer support, financial resources and leadership on many issues, but especially on the use of innovative technology to improve the learning opportunities for kids. We provide over 1300 scholarships to students entering higher education – 3 scholarships in every Congressional district in the country. Our new te@ch program rewards schools and educators who are using technology to energize their lesson plans and engage students. The National Parks Foundation's Junior Ranger program is available to kids across the country through the Web Ranger program sponsored by Best Buy. With Junior Achievement's "Titan" business simulation game, we've helped harness the excitement of a video game to stimulate real learning.

Best Buy has also been actively concerned with the issue of electronic waste. In 2001, we launched a series of recycling events to provide a simple, fun and convenient program for recycling electronics that protects the environment while raising awareness of recycling options. Best Buy has helped consumers nation-wide recycle over 2.6 million pounds of electronics in an environmentally responsible way since the program began. In addition to recycling events, we also offer the ability to recycle cell phones, ink cartridges, and rechargeable batteries year round in all our U.S. stores.

#### **BACKGROUND ON CERC**

CERC is a national coalition representing small, medium and large consumer electronics retail businesses and associations that operate in all 50 states and worldwide. Our members, in addition to Best Buy, include Circuit City, RadioShack, Wal-Mart, Target, the North American Retail Dealers Association and the Retail Industry Leaders Association. Our goal is to educate, advocate and instill continued consumer and market confidence in consumer electronics policy issues.

Following months of internal discussion, conducting an industry-wide survey, holding meetings with state legislative leaders and experiencing the impact and initial results of the California advance recycling fee law, CERC drafted a consensus legislative position paper on electronic waste management earlier this year, which is attached to my written statement. While other stakeholders have yet to reach a broad consensus, consumer electronic and general retailers, including their national and state federations, have come together around a position that we believe lays out the issues, opportunities and obstacles involved in setting up a nationwide eWaste model. Since issuing this Position Paper, CERC has been working with and recruiting broad cross-industry support among other interested stakeholders, including environmental groups, recyclers, state legislators and manufacturers.

#### **CURRENT PROGRAMS/ACTIVITIES**

Even without state or federal laws governing management of electronic waste, the private sector – manufacturers and retailers working with qualified recyclers – has been fully supportive of the shared responsibility product stewardship approach through numerous voluntary initiatives that collect and recycle devices. These programs have included the development of a strong and meaningful educational campaign for consumers and policy makers. Best Buy and other members of CERC, as well as consumer electronic retailers that are not members of our organization, together with a number of manufacturers, have been actively involved in activities that highlight the need for conservation and how best to handle electronic devices at their end of life.

There are several initiatives in place today to reduce and manage electronic waste both at the federal and industry levels. CERC members and other consumer electronic retailers and manufacturers have participated in such EPA programs as the *Plug-In To eCycling* outreach campaign, which works to increase the number of electronic devices collected and safely recycled in the United States and has identified new and creative flexible, yet more protective ways to conserve our valuable resources.

*Plug-In To eCycling* focuses on:

- Providing the public with information about electronics recycling and increasing opportunities to safely recycle old electronics;
- Facilitating partnerships with communities, electronics retailers and manufacturers to promote shared responsibility for safe electronics recycling; and

- Establishing pilot projects to test innovative approaches to safe electronics recycling.

Program partners have included manufacturers like Panasonic, Sharp, Sony, JVC, Lexmark, Dell, Intel; retailers like our company, Best Buy, as well as Staples and Office Depot; and approximately two dozen state and local governments. More than 26.4 million pounds of electronics were collected in the first ten months of this national program alone.

In addition to the *Plug-In To eCycling* campaign a number of retailers and manufacturers have taken part in voluntary programs to encourage greater recycling. As noted in my introduction, Best Buy actively provides recycling options for our customers with our recycling events. We have had an overwhelming response to our events. In fact, the event we hosted a month ago at our corporate headquarters in Minnesota drew record crowds with over 2,900 cars and a collection of over 250,000 pounds (125 tons) in just two days. This is in a county that already has a program in place for the recycling of electronics.

In addition to Best Buy activities, a number of CE retailers and manufacturers have and are taking part in voluntary pilot projects. Staples, for example, sponsored a New England-based pilot program in cooperation with EPA's Plug-In To eCycling campaign and the Product Stewardship Institute (PSI) in the summer of 2004. Also last summer, Office Depot and HP sponsored a similar in-store electronics recycling pilot nationwide. Both programs accepted hardware from any manufacturer, including PCs, mice, keyboards, PDAs, monitors, flat-panel displays, laser and ink jet printers, scanners, all-in-one printers, digital cameras, fax machines, cell phones, TVs, and TV/VCR combos. This summer, Good Guys is partnering with the EPA and a number of electronics manufacturers to collect and recycle televisions.

#### **THE NEED FOR A FEDERAL SOLUTION**

But we all realize that voluntary programs cannot fully handle or solve the end of life issues surrounding electronics products. CERC strongly believes a comprehensive nationwide approach to the management of electronics is the ultimate solution and far more preferable, desirable and efficient than a patchwork of different eWaste laws instituted by individual states. In the first half of 2005 alone, 30 state and local

legislatures saw more than 50 separate bills introduced on this issue including an eWaste measure introduced and still active in New York City. 50 different state approaches will be administratively unreasonable and infeasible for manufacturers and retailers alike and will not lead to a comprehensive and efficient electronics waste management system for our nation. Many states are acting because they do not see action from the Federal Government. Active consideration of this issue by Congress, like that shown by this Committee, may help in providing a positive, national solution and in reducing the need for disjointed state and local action.

### **THE ISSUE IS COMPLICATED**

Through all of the voluntary efforts outlined above, we have first-hand knowledge of the fact that this issue is complicated. It may be helpful to the Committee to highlight one significant complication. There is the waste that is currently waiting to be recycled. There are the products that are still in use but will need recycling in the near future. Neither of these two categories of products – historic waste – was produced with the understanding that they would have to be recycled. And then there are the products that will be produced the future – future waste. Finding a solution may require us to think about these two categories of waste separately.

### **EFFICIENCY AND A LEAST COST SOLUTION**

Both CE and general retailers unanimously support a shared responsibility approach to the handling of electronic devices at the end of their life cycle. In any scenario, the public will pay for the recycling of electronic waste. If the government provides the solution, consumers pay in the form of additional taxes. If the government mandates a fee, the consumer pays. If the manufacturer must include recycling in their product costs, the consumer pays. But it is only in this last solution – where the costs of recycling are part of the cost of the products – that there is an inherent incentive to reduce both the need to recycle and the long term costs of recycling. Given the reality that the consumer will pay under any scenario, it seems best to find the solution that will drive efficiencies and reduce costs over time.

It is the combination of these last two points--that there may need to be a couple of solutions and that the best solution in the future is one that drives to least cost and efficiency--that drives CERC to support the concepts of the Talent Wyden approach. This tax incentive program could go a long way to provide an immediate incentive to deal with the historic waste over the next few years. If coupled with a program of

manufacturers' responsibility for future products, the end result could be a total solution that drives to least cost and maximum efficiency over time and provides the right, limited incentives to jump start and capitalize recycling programs in the near term.

### **SPECIFIC SUGGESTIONS**

Our Position Paper outlines the factors and components that a successful manufacturer responsibility program should include:

- Initially, any program should have a limited number of types included to insure an easy transition, and clear definitions of which devices are covered.
- Making sure that any 'take-back' programs – if mentioned at all – remain voluntary.
- A 'safe harbor' for a consumer electronics retailer that sells a product not covered under an approved management plan absent actual knowledge.
- Programs that help educate and are easily understood by consumers.
- A flexible system that allows manufacturers the ability to provide services to consumers and encourages the market to drive efficiencies and choices.
- Encouragement to voluntary collection initiatives by manufacturers to partner with retailers, charities and/or local government.
- Establishment of manufacturers' financial responsibility based on the products that consumers return to the system – not fees at the point of sale or other financial models that do not reflect the true costs and realities of the return system.
- The ability of manufacturers to work independently or collaborate with others to meet the established responsibility goals.

### **CERC EXPERIENCE WITH STATE-LEVEL ADVANCE RECOVERY FEES**

Our members oppose a point of sale advance recovery fee (POS|ARF) system because we know from firsthand experience that such an ARF will not accomplish its goals, is administratively burdensome for all parties, and will only guarantee a new revenue source for government without guaranteeing that an effective recycling system will be put into place. In addition, such a program provides no incentive for the design of more environmentally-friendly products, and fails to take advantage of market forces to reduce the cost of recycling over time.

The recent institution of such a fee/tax program in California has already been shown to be:

- Too complicated for all parties – government, businesses and consumers – to understand and administer.
- Incredibly costly for both governmental agencies and retailers to implement.
- Impracticable to bring sufficient dollars down to the local level to implement enough local collection and disposal facilities.
- Impossible to impose on out-of-state online/mail order retailers.
- Impractical, by asking the government to set up a new administrative structure to collect the fees, to manage the program and disperse the revenue for effective recycling.
- Impossible to know how high the taxes/fees charged to consumers needs to be in order to adequately fund a successful electronics device recycling program.

In short, a POS|ARF – particularly given significant budget cutting at all levels of government – will not adequately fund an effective recycling program, and will only serve to confuse and burden the consumer with the imposition of new fees and perceived new taxes without any direct benefits.

## **CONCLUSION**

The members of the Consumer Electronics Retailers Coalition, together with CE and general retailers and their trade associations throughout the United States, want to be constructive and contributing partners with law makers, manufacturers, public interest groups, recyclers and our customers in dealing with the end of life issues surrounding electronics products. We cannot, however, afford to let individual states and certainly individual cities and counties, establish their own programs that impose inconsistent mandates on retailers or manufacturers.

We very much appreciate the holding of this hearing and encourage Congress in general and this Senate Committee in particular to continue to work towards a national solution to electronics waste management. We pledge to work with you in arriving at a fair, viable and effective approach.

Thank you.