



THE BUSINESS CASE FOR PRODUCT STEWARDSHIP

What is Product Stewardship? Product Stewardship, or Extended Producer Responsibility (EPR), is a strategy to provide support for end-of-life product management through an extended product chain instead of the traditional waste management system. It places primary responsibility and control of product end-of-life management with the producer, or brand owner, who incorporates the end-of-life management costs into the price of their products and ensures that convenient and efficient recycling and disposal service is provided for their customers.



The EPR train has left the station

Why give producers responsibility for ensuring safe end-of-life product management? There are many stakeholders involved in a product's lifecycle in addition to the producer: manufacturers, packaging suppliers, transporters, retailers, consumers and, in different roles, state and local government. In an EPR system, producers have the greatest responsibility because they have the greatest influence over product design and marketing. Product Stewardship encourages design innovations that minimize impacts on human health and the environment throughout the product's lifecycle and reduces the costs of treatment and disposal because these costs are incorporated into the total cost of a product.

How does product stewardship work? Quite simply, producers implement recycling systems for the products they market. For example, companies that produce fluorescent lights would design, fund and operate a recycling system for fluorescent lights.

Won't product stewardship grow government? *No!* Just the opposite! The idea is to let businesses do what they do best – design innovative products with cost-effective distribution and return systems. The role of government is limited. Government sets performance goals and monitors compliance. Efficient product stewardship systems actually **REDUCE** the costs and staffing burden as compared to less effective government-run programs. Here's a comparison:

- In British Columbia, a province of 4.4 million people, there is only 1 government employee overseeing the entire pharmaceutical product stewardship program, which is operated and funded entirely by pharmaceutical manufacturers.
- Compare that to California's existing e-waste fee program: it takes 55 state employees at the State Board of Equalization just to collect the money and another 25 or so employees at Cal EPA to regulate the program.

Product stewardship places the primary responsibility on industry – not on government – and that's what makes it so efficient.

Does that mean producers will have to take back their products? That's the beauty of product stewardship – producers get to determine how they'll manage their products. They might work together in Stewardship Organizations, as is often the case, or they might develop independent programs for their specific product. One company may choose to partner with a retailer to create a convenient take-back program for consumers. Another company may establish a mail-back system. Others may work with existing recyclers and recycling programs.

Better yet, a producer may succeed in re-designing their product to remove the toxic constituents, to make it more easily recyclable or repairable, or to extend the life of the product. That's why product stewardship works – each producer determines what will work best for their product. And businesses know best what will work for their business model.

CAT[®]

CATERPILLAR California Integrated Waste Management Board **A Commitment to "Take-Back"** **3R**

Coke	\$1.00
Bottle deposit	\$0.25
Total Cash Outlay	\$1.25
Bottle Return	(\$0.25)
Net Cost	\$1.00

Exchange Transaction example

End Users / Dealers / Distribution

Outbound Logistics

CAT Reman Services

The Reman Cycle

End-of-Life Core Logistics

Remanufacturing

No Return = No Reman

take back

CAT Reman Services

"EPR drives us ... to design for remanufacturing and upgradability"

Won't this drive up the cost of the product to the consumer? In product stewardship programs, producers internalize the cost of environmentally responsible recycling and disposal. This means the consumer is not charged an additional fee at the point of sale but the cost is built into the price of the product. Yes, costs may increase marginally in some cases, but the consumer pays for end-of-life product management under any system – including our

existing system which is funded by taxes and rates such as garbage rates. Product stewardship incentivizes businesses to make design innovations that will reduce the overall product management costs.

Won't product stewardship cost businesses and hurt their bottom line? On the contrary – product stewardship is about improving efficiencies. Waste is not efficient, and resources in today's products must be recaptured to ensure businesses have materials for new products tomorrow. Businesses that take responsibility for the end-of-life management of their products are finding ways to reduce waste, reduce operating costs, and positively impact their bottom line. As an added benefit, Product Stewardship becomes a way of earning consumer loyalty. We cannot find a single business in Europe or Canada that has economic trouble or went out of business due to the implementation of EPR policy.

“Retailers support EPR as a more workable and cost-effective alternative to mandatory in-store take back, or point of sale fees.” Testimony in support of California's EPR Framework Policy, Sept. 11, 2007

If some businesses are voluntarily practicing product stewardship, why make it mandatory? To create a level playing field. Right now, many producers can't recover their initial cost of product stewardship in the prices of their products because the market place is highly competitive and even a few cents more in the purchase price of the product is enough to sway customers away from their product. But if the system is mandatory, the “good guys” will no longer be at a competitive disadvantage because all like-businesses will be operating under the same rules. Small marginal cost increases will be reflected in their competitors' prices as well as their own. Price competition continues with a new “bar” established, resulting in more cost effective stewardship programs.

Are businesses in support of product stewardship? Yes – many are already voluntarily offering product stewardship programs and many of the big name companies that operate under product stewardship programs in Europe, Canada, Japan, Korea and other countries aren't doing so in the U.S. simply because they, and their competitors, don't have to. Businesses tell us if product stewardship is going to be successful, they want these things:

- To design and manage the program and funds
- Adequate time to implement the program
- Level playing field
- Common standards or national standards
- Continuous improvement/flexibility

Which businesses support product stewardship? Many familiar big brand names, including Sony, Dell, LG, Toshiba, Caterpillar, IKEA, HP, Brita, Panasonic, Honeywell, GE, Home Depot, Best Buy, OSH, and Radio Shack! These are industry leaders and they support product stewardship. Mark Small, Vice President of Sony, says “if our name is on the product, we will recycle it at no cost to the customer.” Michael Dell of Dell Computers says, ‘free end-of-life management for any Dell product from individuals, regardless of new purchase.’ Home furnishing giant, IKEA, says ‘Making it easy for visitors to recycle old CFLs and purchase new ones in the same trip...turns visitors into customers.’ These companies see the big picture and know that product stewardship is good for their bottom line.

Businesses care about the environment and their customers do, too.

Let’s not forget that consumers want to know that they’re purchasing products from responsible companies. “Green” technology is a growing trend, even in down markets. Why? Because it’s important to consumers and there’s no going back. Product stewardship is a value-added service companies can offer to their customers that will keep them coming back.

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