

Junk bond

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Governments oblige manufacturers to take back used goods for disposal



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FOR seasoned shoppers, “buyer’s remorse” is a familiar feeling. “Seller’s remorse” may also become common soon, as ever more governments order manufacturers to assume the cost of disposing of their products after consumers are done with them. Until recently, most laws on “extended producer responsibility” (EPR) or “product stewardship” applied only to specific types of goods, such as car tyres or electronics. But in late March Maine, following the lead of several Canadian provinces, became the first American state to enact a blanket EPR law, which could in principle cover any product.

Governments are eager to unload some responsibility for waste management onto manufacturers, especially for products that are hard to recycle or may be toxic, such as electronics, batteries, paint, car parts and pesticide containers. It helps them cut costs, for one thing—handy for local authorities short of cash in the recession. In Maine, which has had an EPR law for electronic waste since 2004, municipalities save \$1.5m-3m annually because manufacturers have picked up the cost of collection, according to the Natural Resources Council of Maine. Governments also hope that EPR laws will encourage firms to rethink the way they make products, designing them for longevity and recyclability rather than for the landfill.

Thirty-one of America's 50 states have product-specific EPR laws. The European Union requires manufacturers to dispose of packaging, electronics and vehicles. Canada and Japan also have EPR laws. Other countries, such as Australia, have flirted with the idea.

Maine's new "framework" law makes it much easier to expand the scope of EPR schemes, by establishing a process for adding products to the list of those covered without requiring a new law each time. The state government, which already enforces five product-specific EPR laws, is now said to have carpet-makers and drugs firms in its sights.

This worries businesses, few of which are eager to pick up the bill for waste disposal. Some business associations, such as the California Chamber of Commerce, have denounced EPR bills as "job killers". They point out that the increased costs are ultimately borne by consumers. But that does not worry supporters of EPR, who argue that the price of a product should reflect its full "life-cycle" costs, including disposal, rather than simply leaving taxpayers to make up the difference. Moreover, unless manufacturers are forced to bear the costs, they will have no incentive to make their wares easy to dispose of.

Scott Cassel, executive director of the Product Stewardship Institute, a non-profit organisation, says he has noticed different "stages of grief for companies" coping with the reality of EPR, starting with denial and moving to begrudging acceptance. Not all companies are mourning, however. Some manufacturers and retailers have voluntarily rolled out collection programmes in states that do not require them. Hewlett-Packard, a technology firm, claims to design its products with ease of recycling in mind—cradle-to-cradle, as the jargon has it. Staples, which sells office supplies, and Home Depot, a home-improvement retailer, both offer national take-back programmes in their stores for such items as computer monitors, compact fluorescent light bulbs and batteries. Such programmes may enhance customer loyalty, particularly among environmentally conscious consumers.

Some companies may also be hoping that starting their own collection programmes could help them pre-empt legislation. "We thought we could get out in front of this and set up a system to collect our products, and the exact opposite happened," says Doug Smith of Sony, an electronics giant. He does not believe EPR laws have much impact on product design.

Companies' biggest gripe about EPR laws is not their cost but their inconsistency. Few states have the same requirements, making compliance complicated for manufacturers. Many businesses would favour a national policy rather than a patchwork of local laws. EPR laws, it seems, are set to win extended responsibility themselves.