



THE BUSINESS CASE FOR PRODUCT STEWARDSHIP

What is Product Stewardship?

Product Stewardship, or Extended Producer Responsibility (EPR), is a mechanism that shifts responsibility for managing discarded products from government to those producing the products. Through legislation and regulation, producers (or first importers) design, fund, and implement plans for reusing or recycling their products and packaging. The costs are internalized in the purchase price. The present waste management system is replaced by extended product chains, paid for by the consumer, not the taxpayer or ratepayer.



The EPR train has left the station.

How does product stewardship work?


Following consultation with stakeholders, government officials set performance standards for maximum recovery of discarded products. Guided by the hierarchy of reduce, reuse and recycle, producers then develop a plan to channel their discarded products into the next phase of usefulness. They choose and implement the management system that most benefits their bottom line. For example, a company making durable equipment might decide to collect, disassemble, and remanufacture those products. A company that makes plastic items can recycle them or make reusable products. In any plan, the product-return system must be convenient for the public to meet diversion quotas.

Within a product category covered by EPR, retailers sell only those brands that are in compliance with the stewardship requirements. Government is responsible for ensuring transparency and accountability, and for creating a level playing field for all producers selling within the jurisdiction. State and local governments work with producers and retailers to educate the public about using the return systems set up by producers or their agents.

Is “product stewardship” the same as “producer take-back?”

No—there is no one way to fulfill product stewardship requirements. Producers might work together in stewardship organizations, or they might develop independent programs for their specific products. One company might choose to partner with a retailer to create a take-back program that offers consumers additional convenience; another company might establish a mail-back system.

Others work with existing recyclers and recycling programs. Better yet, a producer may succeed in re-designing his or her product to remove the toxic constituents, to make the product more easily recyclable or repairable, or to extend its life. That’s why EPR works – each producer knows what’s best for his or her products and business model.

A Commitment to “Take-Back”



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







Exchange Transaction example



No Return = No Reman

Businesses invented EPR for soda bottles and tractors

Why give producers responsibility for ensuring safe management of discarded products?

There are many stakeholders besides the producer (or brand owner) who are involved in a product’s lifecycle: component providers, packagers suppliers, transporters, retailers, recyclers, haulers, consumers and—in different roles—state and local government officials. 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 make reuse and recycling easier, which in turn reduces impacts on human health and the environment throughout the product's lifecycle. The costs of treatment and/or disposal are incorporated into the product’s total cost.

Are product prices competitive?

Yes. Consumers are not charged an additional fee at the point of sale. Producers internalize the cost of environmentally responsible redesign, reuse, recycling or disposal. On a level playing field of EPR, products designed to be more easily reused, remanufactured, or recycled will have a lower price tag than disposable or toxic products. Yes, costs may increase marginally in some product categories, but the consumer already pays for end-of-life product management under our existing system, now funded by taxes and garbage pick-up and disposal fees. Under product stewardship regulation, the

producer has an incentive to design products that go easily from “cradle to cradle,” thereby reducing overall product management costs.

How does product stewardship improve the bottom line?

Waste is inefficient by definition. Product stewardship is about improving efficiencies. Businesses that are financially responsible in managing their discarded products find ways to reduce waste, reduce operating costs, and positively impact their bottom line. And resources in today’s products are recaptured to ensure that businesses have materials for new products tomorrow.

As an added benefit, product stewardship is a way of earning consumer loyalty. We cannot find a single business in Europe or Canada that has suffered financially due to 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,
by the California Retailers Association

How does product stewardship reduce government?

EPR lets businesses do what they can do best – design innovative products with cost-effective distribution and return systems. The role of government is limited to setting performance standards and monitoring compliance. Efficient product stewardship actually REDUCES the government costs when compared to less effective government-run programs. For example:

- In British Columbia, a province of 4.4 million people, there is only one 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 ARF (advanced recycling 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 CA EPA to regulate the program.

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

Why is it only fair to make product stewardship mandatory?

Currently, many producers can’t recover the initial cost of product stewardship in pricing their products because sometimes even a few additional cents in the purchase price of the product turns customers away. But EPR creates a level playing field. Since all similar businesses operate under the same rules, the “good guys” are no longer at a competitive disadvantage. Marginal cost increases will be reflected in their competitors’ prices as well as their own. Price competition continues, but a new “bar” may be established, resulting in more cost effective stewardship programs.

Do businesses support product stewardship?

Yes – many offer product stewardship programs voluntarily. 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--aren't operating under EPR here.

Businesses tell us what they need for successful product stewardship:

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

Which businesses support product stewardship?

Many industry leaders support product stewardship, including Sony, Dell, LG, Toshiba, Caterpillar, IKEA, HP, Brita, Panasonic, Honeywell, GE, Home Depot, Best Buy, OSH, and Radio Shack. Sony Vice President Mark Small says, "If our name is on the product, we will recycle it at no cost to the customer." Michael Dell of Dell Computers offers "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 recognize that product stewardship is good business.



Why do customers appreciate product stewardship?

Consumers want to know they're purchasing products from responsible companies. "Green" technology is a growing trend, even in down markets. Why? Because the public is increasingly concerned about environmental impacts of manufacturing, transportation, and disposal. Product stewardship is a value-added service that keeps customers coming back.



Created by the **Product Policy Institute** www.productpolicy.org
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