

This is a draft NEPSI document, last reviewed by the NEPSI stakeholders on February 10-11, 2004. It has not been agreed upon by the full NEPSI membership.

Base Service Collection Incentive Payment Discussion

This document describes a proposed approach for the Base Service Collection Incentive Payment as defined in the Base Service Level Document of the NEPSI Infrastructure Group.

What is the Collection Incentive Payment (CIP)? *See Base Service Document, p. 2.*

Purposes of the CIP

- To provide adequate financial incentive to effectively draw a high percent of discarded used NEPSI Products into a safe and reliable recovery system.
- To motivate collection of NEPSI Products on a voluntary basis by a diversity of entities without mandating collection by any particular entity, such as retailers or governments. Collectors who find it beneficial to collect NEPSI Products should be able to afford to provide the service.
- To put a financial incentive into place as a driver or catalyst for collection of NEPSI Product, rather than to prescribe how and who will provide Collection services. Because there is a tremendous diversity of situations across the U.S. how collection is done and by whom should be determined locally, based on local conditions.
- To provide coverage for local costs of a base level of Collection Services in a simple and efficient manner. Other methods such as bidding out collection services, actual cost reimbursement, grant programs, etc. are not as simple or efficient. To ensure strong support for national recovery program for NEPSI Products (the NEPSI System) and legislation implementing the NEPSI System because it is fair and benefits a multiplicity of parties.
- The CIP eliminates complaints from local governments about “unfunded mandates” as it is not a mandate and it is funded.

How is the CIP amount to be set?

(The CIP should be established and the amount set through a planning process that establishes the entity that manages the front-end financing. It should be based on and consistent with the principles that are defined for the NEPSI System. Following is a process for establishing the CIP:

1. The NEPSI MOU should define and include the principles for the CIP.
2. The Seattle Assessment was undertaken to provide an initial estimate of the level of the CIP so that NEPSI Participants understand the range of anticipated cost of collecting NEPSI Products. It modeled a number of collection scenarios and analyzed the resulting costs. It was a trial run to provide NEPSI Participants with some general understandings and preliminary cost ranges. Preliminary figures developed through the Seattle Assessment suggest a CIP rate of .08-.14 per lb. Additional modeling, as well as studies of existing collection programs by a diversity of collector types in both urban and rural setting will be needed to determine an appropriate CIP rate to be paid in the NEPSI System.
3. The entity that will implement the NEPSI System should establish the CIP based on sophisticated eco-efficiency modeling, business planning and analysis. It will need to

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consider any number of variables, including regional factors, urban and rural differences, and collector and transportation criteria.

How will the CIP be paid to collectors?

This should be left to the entity that implements the NEPSI System, but there are several straightforward ways to do so. For example, it could be included in the contractual reimbursement to the NEPSI Contract Holder (Processors) and simply be a fixed payment for purchasing NEPSI Product from the collecting entity.