

Comparison of Two Financing Options

Critical Issue	Option 1: Advanced Visible Fee on a Product at the Consumer Point of Sale	Option 2: SWICO-type model where producers/distributors/importers pay a fee on the product at point of import or distribution	Comparison	Unanswered Questions
Free riders	<p>Pros</p> <ul style="list-style-type: none"> - Minimal potential for OEM and retailer free riders. - Free riders could be more easily identified (sales tax-type audit provides easy tracking and enforcement mechanism). More enforcement agents since done at state level. - Fair if legislation mandates that it applies to all sales. - Visible fee ensures retailers or distributors can't mark up fee. <p>Cons</p> <ul style="list-style-type: none"> - Creates potential for retailer free riders (could collect fee but not send it to fund). - Lot more retailers than OEMs; diverse group to enforce against. - To assure it applies to all sales, would require legislation, which may be difficult 	<p>Pros</p> <ul style="list-style-type: none"> -Reduces potential for retailer free riders - Fewer OEMs to enforce against compared to retailers. - Administration less costly since there are fewer producers than retailers; this could keep fees down. - Might be easier to adjust fees or add product categories without having to engage retailers. <p>Cons</p> <ul style="list-style-type: none"> - Harder to identify and enforce against free riders since some producers/distributors may be small, some foreign, some without a physical presence in the U.S., and some not in the market very long. 	<p>Federal legislation is needed for both options to assure the fee applies to all sales. Feasibility of passing legislation is a concern.</p> <p>Enforcement under Option 1 would be able to take advantage of the existing infrastructure and accounting systems required of retailers for sales tax purposes. Under Option 2, it may be difficult to enforce against distributors that do not have a physical presence in the U.S.</p>	<ul style="list-style-type: none"> - There is disagreement on which option allows for easier enforcement (i.e., auditing retailers vs. producers). - What are the mechanisms for enforcement against free-rider producers? - What is the feasibility of passing national legislation? - What is the feasibility of getting the support of retailers given that they do not have strong representation at NEPSI at this time?
Internet sales	<p>Pros</p> <ul style="list-style-type: none"> - If national legislation mandated the fee on all sales, then this option would cover Internet sales. <p>Cons</p> <ul style="list-style-type: none"> - Need national legislation because interstate commerce laws may make it difficult to charge fees with Internet and catalog sales. Could be difficult to pass legislation. - OEMs that sell mostly via the Internet may object to a visible fee at point of sale. 	<p>Pros</p> <ul style="list-style-type: none"> - If national legislation mandated the fee on all sales, then this option would cover Internet sales. 	<ul style="list-style-type: none"> - Either option could cover Internet and remote sales if there were national legislation. - In Option 2, if the organization collecting the fees must enforce, this could be difficult. 	<ul style="list-style-type: none"> - Would Internet and catalog companies be more willing to pay into a fund based on sales rather than charge a visible fee at time of Internet sale? - How would enforcement be implemented under either option?

Orphan/ Historic Products	Pros - Fee could be structured to cover historic products. - Would collect more money under this system because producers would be less likely to want to pay for historic waste Cons - If fee isn't adequate cover historic waste, there may have to be an extra fee. - Not fair since today's customers are paying for waste they did not create	Pros Could be set to cover historic products. Cons - If fee isn't adequate cover historic waste, there may have to be an extra fee. - Not fair since today's customers are paying for waste they did not create	Either option could cover orphan/historic products. There is no difference in the potential coverage of orphan and historical products.	
Collective vs. Individual Responsibility	Cons - Difficult to provide an opt-out option to OEMs that assures they will live up to the requirements of the program - Very difficult for retailer to differentiate and deal with OEMs that opt-out.	Pros - Allows more opportunity to opt-out for individual responsibility. - Could more easily differentiate fees based on size of product, i.e. variable fees for larger vs. smaller TVs, etc.	Any mechanism to allow manufacturers the ability to opt out of any system should occur through implementation and not through the financing tool.	
Consumer Incentives	Pros - Visible fee raises consumer awareness. - Could include incentives for return such as coupons or rebates at point of purchase. - Risk of sending wrong message to consumer: Are products without a fee OK to throw in the garbage? If fee is paid at retail, consumers may expect retailers to take old products at time of the new sale. Could cause frustration if retailer does not take old products back.	Pros - If fee is passed along visibly (e.g. SWICO) then there is same opportunity for consumer awareness. - Could include incentives for return such as coupons or rebates with visible or invisible fee. Cons - If fee not visible, then less opportunity for consumer awareness at point of sale.	Both options could provide consumers with incentives to return products. A visible fee represents the best way to communicate that a fee is being used to manage the product at the EOL.	
Economic Impact/Econ- omic Efficiency	Cons - Administration is expensive - Higher cost to consumer could diminish sales	Cons - Administration is expensive - Higher cost to consumer could diminish sales - Large retailers could absorb the fee and gain unfair competitive advantage over small retailers.	EIA members felt Option 2 would be more expensive to administer than Option 1 because a new tracking, monitoring and enforcement system would need to be developed.	Unclear at this time which Option is less expensive to administer.

Enforcement	Enforcement must apply to all retailers.	Self-enforcement necessary?	Enforcement under Option 1 would be able to take advantage of the existing infrastructure and accounting systems required of retailers for sales tax purposes. Under Option 2, it may be difficult to enforce against distributors that do not have a physical presence in the U.S.	How would enforcement be implemented under each option?
Shared Responsibility	<p>Pro Involves more stakeholders</p> <p>Cons Not a clear role for local government</p>	<p>Con Not a clear role for retailers</p>	Option 2 places the majority, if not all, the burden on manufacturers. Option 1 can be structured to involve more stakeholders.	
Incentives for design changes	<p>Cons Little or no possibility of opt-out to provide for individual responsibility; no design incentives with collective responsibility. No potential to differentiate or reward good design with one flat fee on all products.</p>	<p>Pros More potential and flexibility for variable fees assessed according to design attributes. More opportunity for individual responsibility, and to reward individual OEMs with green products by having them pay less into the fund.</p>	Neither option promotes design changes effectively.	