

XXXXXXXXXXXXX,  
Director of Sustainable Development and Regulation  
The Department of Trade and Industry,  
151 Buckingham Palace Road,  
Bay 280  
London SW1 9WS

18 April 2007

cc: The Right Honourable XXXXXXXXX, Member of Parliament – XXXXXXXXXX  
XXXXXXX, Office of Fair Trading

Dear Sir,

### **Disproportionate Costs of WEEE on Small I.T. Businesses**

Please find ITACS Press Release attached and previously sent to your Department receiving no response. Hopefully it will be placed in front of the right eyes on this occasion and receive some acknowledgement regarding content. However, I noted your Department did provide a response to our press release story featured in "the Channel Register" - *"large retailers are paying 88 per cent of the £10m cost of the local authority WEEE collection network"*. *It also said it had consulted on draft WEEE proposals with small businesses as early as last summer and that a three-tier fee structure had been drawn up, which it hoped would go some way to dealing with the burdens associated with the new law. "The government has been keen to work with small businesses and their representative organisations to ensure they are not disproportionately affected," the DTI said. It said that as part of the commission's ongoing review of the WEEE directive the government had suggested "a de minimis be considered for small businesses"*.

ITACS, the Independent Trade Association of Computing Specialists was founded in August last year from popular demand on the basis that the small independent I.T. retail/service sector interests were not being adequately protected. . **ITACS now has some 930 independent sector members.** We still feel that inadequate WEEE representation (zero contribution from consultation document analysis) was given by those pre-existing associations leading to an understandable lack of appreciation of how the small independent I.T. retailer operates.

#### **1. Modus Operandi of the Small Independent IT Business**

The independent computer retailer has traditionally provided I.T. support to home and small businesses, sold own brand PCs, major branded PCs/laptops and peripherals (classed as EEE), and refurbished/recycled unwanted I.T. equipment that would otherwise go as waste. None of these activities singularly secure the survival of the independent. We generally employ between 3 and 5 staff. A greater percentage of our businesses turnover is less than £250,000 pa and of this, B2C EEE sales generally comprise some 40% or less. Building Personal Computers to customer specification places these small businesses in a special category, unlike their multi-million pound turnover competitors. Again, unlike many of the multi-million pound retailers, our small businesses can neither afford nor have the space to establish our own DCFs. **Most of our high value like-for-like EEE retail sales, (monitors, PC base units, printers etc) are secured as a reactive and urgent requirement resulting from original equipment being deposited for test and repair.** Operating in a small local environment it is well nigh impossible

to return the items and advise the purchaser to deposit the WEEE in a DCF whilst maintaining customer satisfaction. Again, for the larger businesses, and particularly the distance sellers where there is no face-to-face contact, most purchases are deliberative rather than reactive and therefore customer DCF disposal is the most likely outcome. Over the years, we have been unique among retailers in that we have always minimised the WEEE going to landfill through our salvaging, recycling and refurbishing operation. Historically, we were putting into practice the objectives of the WEEE Directive even before its adoption, something that cannot be said of others.

## 2. Summary of Inequality of WEEE Operational Costs

So how does the modus operandi of WEEE place many of our businesses who are both distributors and producers of EEE at a disadvantage?

- (a) Our DTS registration fee adds up to 10 times more cost on our retail prices compared to large businesses and our use of DCFs, compared with others, would be minimal;
- (b) Lack of access to DCFs forces us to transport WEEE to and use the facilities of our chosen PCS adding up to 10% from transportation cost alone and up to 5% from PCS charge to the cost of certain equipment;
- (c) The requirement for AATF evidence of refurbishment/recycling to offset producer liabilities is a dissuasive factor for this operation to be carried out on retail premises consequently our small businesses may be denied a currently profitable income stream;
- (d) The viability of PCS operators in some cases are questionable and this, together with joint and several liability for individual member failure introduces unquantifiable business risk. This risk has been aggravated by the short time-scale to select and register. No terms and conditions were available from many of the Producer Compliance Schemes and there were certainly no membership lists available – later joiners will be in a better position.

## 3. Analysis of the Impact of WEEE Implementation Approach for Small I.T. Businesses

- (a) The costs of WEEE will add up to 10% more to retail prices than is the case for the large retailer making us seriously uncompetitive through no fault of our own and endangering our businesses;
- (b) The disincentivising reasons for pushing refurbishment/recycling back to the end of cycle WEEE process will:
  - (i) Deny a valuable local income stream;
  - (ii) Push up the costs of refurbished equipment through added transportation for processing, additional handling costs through the WEEE chain and subsequent distribution costs at completion;
  - (iii) More than likely sacrifice the extension of the life of owner aging equipment through use of shop salvage;
  - (iv) Increase road miles through the process just when the world is becoming very mindful of the costs of pollution;
- (c) The likely outcome of closure of local businesses through enforced reduced competitiveness and income stream denial will:
  - (i) Result in the loss of up to 30,000 **local** jobs from some 8,000 **local** businesses;
  - (ii) Accelerate the loss of **local** I.T. support to the many other small **local** businesses that will result in hourly charge increasing from £45 per hour to the £90 per hour charged by the XXXXX (XXXXX), the XXXX XXXX (XXXXX XXXXX) and XXXXX XXXXXX XX XXXX XXXXXXXXX, with a lack of timely response to boot. *It is worthy of note that all these national services have been established from new since September 2006: perhaps they all saw the opportunity that might arise from the possible demise of the local independent as a result of the WEEE implementation framework.* All the local businesses, from accountants to builders, will also feel the pinch;

- (iii) Affect the local economy in general; and
- (iv) I predict, result in more new kit being sold rather than extension of the life of old – the opposite of one of the objectives of the Directive.

#### 4. The Unjust Cost Argument.

(a) DTS Registration Fee Disproportionality.

The cost for the £250,000 turnover independent is £750 that for £100,000 EEE sales calculates as £0.0075 per retail pound (Registration Fee/EEE Sales).

Although estimates from some for the total IT and electrical goods B2C market is put at £9-£12 billion EEE turnover, for the large retailer it is impossible to extract individual EEE sales. However, to raise £8.8 million from this group at a rate of £0.0075 per retail pound would require a national EEE turnover of only £1.17 billion! (£8.8 million/£0.0075). To argue that disproportionality does not exist is futile. The disparity is obvious and serious.

(b) Access Denied to DCF Facilities.

The likes of PC World but mainly distance sellers are selling on the basis of customer planned purchase. The like-for-like take back will, in all probability, end up, through customer deposit, in a DCF. There is no further cost to these retailers – DCFs are cleared by PCSs without charge. For the independent whose large EEE sales are mainly urgent with like-for-like WEEE previously lodged in our workshop for test and repair additional costs accrue because of access to local DCFs is denied to us. To the greatest extent, our customers will not take this WEEE to a DCF themselves. To tell them to do so would certainly lose that customer and gain us a local reputation for poor customer care. So what are these additional costs accruing? For example:

A 19" **XXXX branded** cathode ray tube monitor (weight 19kg) is beyond repair and the customer buys a 17" TFT monitor (screen size similar) as urgent replacement at £102 inc VAT (trade price = £74.95ex VAT) providing a profit margin of £11.86. Many PCS are quoting up to £1 per kg WEEE transportation costs and a specific additional charge for acceptance into the PCS (£4.50 in this case). In worst case, these additional costs of sale amount to £19 (transportation charge) plus £4.50 PCS acceptance charge totalling £23.50. There may be cheaper transportation rates (I have heard of £0.50/kg transportation) for WEEE but the total impact will not be significantly less. Every which way the WEEE costs exceed the amount of profit we make from the sale. **In this case our prices will have to increase by 27% to deliver the same £11.86 profit.** The principle that the producer pays is certainly not the case.

Example

#### IMPACT OF WEEE OBLIGATIONS ON DISTRIBUTOR

Hanns G 17" TFT Monitor Sale	Independent	XXXX.com
Trade Price ex VAT	£74.95	
Retail Price inc VAT & delivery	£102.00	£93.98
Retail Price ex VAT	£86.81	£79.98
Fixed Margin	£11.86	
<b>Cost of Take Back for 19" CRT Monitor (19kg)</b>		
<b>DTS Registration Fee Apportionment</b>	<b>£0.65</b>	<b>£0.07</b>
<b>Transportation to PCS</b>	<b>£19.00</b>	<b>£0.00</b>
<b>PCS Receipt</b>	<b>£4.50</b>	<b>£0.00</b>
<b>Price to maintain fixed margin</b>	<b>£130.26</b>	<b>£94.05</b>
<b>WEEE % Increase in sale price</b>	<b>27.71%</b>	<b>0.07%</b>

<b>Epson DX4000 Multi-Function Printer Sale</b>	<b>Independent</b>	<b>XXXX.com</b>
Trade Price ex VAT	£45.43	
Retail Price inc VAT & delivery	£59.99	£55.99
Retail Price ex VAT	£51.06	£47.65
Fixed Margin	£5.63	
Cost of Take Back for Epson CX3600 Multi-Function Printer (6kg)		
DTS Registration Fee Apportionment	£0.38	£0.04
Transportation to PCS	£6.00	£0.00
PCS Receipt	£0.16	£0.00
<b>Price to maintain fixed margin</b>	<b>£67.61</b>	<b>£56.03</b>
<b>WEEE % Increase in sale price</b>	<b>12.7%</b>	<b>0.07%</b>

(c) Own DCF Set-up.

The billion pound retailers, where they elect in-store take back, have the financial resources to establish their own (even local) DCF for their own in-store take back. XXX, for example, I envisage will probably do this and serve both XX XXXXX and XXXXXX who generally reside on the same retail parks. I can also see the set-up costs being minimal with PCSs fighting for access to empty what will be high quality WEEE by offering rent-free containers for storage. Removal of this WEEE will then be free of charge to the retailer. This option is totally unavailable to us, the small independent. Others are able to avoid the high cost of transportation, we cannot.

My Association views this unintentional discrimination as untenable and unsustainable. I would suggest that already there is a large non-compliance issue developing. Ways to reduce our overall costs are being suggested on the grapevine and even one PCS is suggesting that we should never describe WEEE as “WEEE” for transportation because of the cost. During a discussion with your Department I have also been advised that, as a solution, the small I.T. businesses should “pretend” to be a member of the public to gain DCF access. I feel this suggestion demonstrates recognition that a real problem exists but I could not endorse it to members. A **right of access** to local DCFs free of charge is a major part of the solution but not the whole. It is much better to talk to reach a resolution. However, the Association is mustering its members to raise the issues with their local MPs that ultimately will include most MPs in the UK. The status quo represents a clear and present danger to the small independent. A three year review process will not be a vehicle for resolution due to the need for absolute urgency.

I should be grateful if you would facilitate appropriate dialogue to resolve.

Yours sincerely,

Henderson Armstrong  
Secretary/Committee Member, ITACS  
The Independent Trade Association of Computing Specialists.