



California Integrated Waste Management Board



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November 17, 2005

Scott Canonico
Manager, Public Policy
Hewlett-Packard Company
1000 NE Circle Blvd.
Corvallis, OR 97330

Dear Mr. Canonico:

Thank you for your response to our letter dated September 19, 2005, regarding an effort by the California Integrated Waste Management Board (CIWMB) and the Department of General Services (DGS) to establish an environmentally preferable product (EPP) standard for printer and duplication cartridges. Your comments and suggestions were informative and helpful. In your letter dated October 10, 2005, you offered a number of suggestions. In an effort to continue our dialogue, I have the following responses.

I. Transparency and Openness in the Standard Development Process

In the process of developing a standard for printer and duplication cartridges, it has been our intent to be open and transparent with the interested parties. To this end we have posted all communications with all the interested parties on our Web site (www.ciwmb.ca.gov/EPP/Cartridges/Default.htm). The process of soliciting written comments has been very instructive and helpful thus far. It has allowed us to tap into the knowledge base of the industry. A number of major toner cartridge manufacturers have been contributing very positively to this process through their helpful comments and suggestions, thus enabling us to employ relevant industry terminology and developing performance thresholds that are appropriate to current cartridge technology and the market place. We regard our dialogue with all of the stakeholders an open and honest one and will continue in that vein to establish a fair and effective standard.

II. Investigation into the Likely Effects of the Proposed Standard on Cartridge Market and the Environment

The underlying principles of the four benchmarks offered are based on current statutes which are intended to have a positive effect on the environment and to not adversely affect the market. We acknowledge that we are in the process of trying to further define and clarify these benchmarks and to this end we seek and have received valuable input from the interested parties. It is important to clarify that the intent of this effort is to neither mandate nor regulate. The purpose of this effort is to provide a standard whereby purchasers who want to purchase EPP cartridges could determine easily which cartridges are EPP and which are not.

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III. Disparate Treatment that Favors Remanufacturers over Original Equipment Manufacturers (OEMs)

It is not our intent to favor remanufacturers of cartridges over OEMs. We feel that there is a misinterpretation of benchmarks 2, 3, and 4 and we intend to offer clarification in the following corresponding sections. It has been our intent, from the beginning of this process, to have easy and effective benchmarks that could be met by both remanufacturers and OEMs. Of the three Tier 2 Benchmarks, one can be achieved by remanufacturers and two options can be achieved by OEMs. It has always been our hope that the standard will distinguish and benefit those vendors that have EPP cartridges without harming vendors that do not have EPP cartridges. We welcome any studies that the industry wishes to undertake on investigating the likely effects of the proposed EPP standard on human health and the environment.

IV. Benchmark 2

In your letter dated October 10, 2005 you stated:

“In fact, the point system proposed in Benchmark 2 would guarantee that virtually all remanufactured cartridges would achieve full EPP attainment, or 100 points. For example, under the proposed scheme, 100 points are achieved by products utilizing 30 percent postconsumer recycled material. For a typical toner cartridge, the weight of the exterior housing is frequently over 30 percent of the cartridge weight. Thus, remanufactured cartridges, typically built from a recovered housing with new and used internal components, would practically by definition be EPP”.

We would like to offer the following clarification:

A cartridge housing that contains 30 percent postconsumer material indicates that the cartridge housing was manufactured from a raw material that contained 30 percent postconsumer material. A recovered cartridge housing can be utilized in two ways:

1. As postconsumer material after having been crushed, flaked, washed and used in the manufacture of a new cartridge housing or other components of the cartridge (Benchmark 2).
2. As a cartridge to be remanufactured with new or used internal components (Benchmark 3).

In other words, remanufacturing a cartridge does not turn that cartridge into postconsumer material. In order to attain Benchmark 2, a plastic product would have to be used, collected, crushed, flaked, melted and then formed into a new toner cartridge casing. That casing then would be considered made from postconsumer material.

It is our intent to encourage a greater use of postconsumer (PC) material, thereby, increasing the diversion of cartridges from the solid waste stream. In order to focus solely on the use of postconsumer material in the manufacture of new cartridges, we propose to delete the use of secondary materials from benchmark 2. Furthermore, the feedback from other interested parties indicates, that the percentage of postconsumer material used in the manufacture of new cartridges can not be too high due to manufacturing process limitations. Consequently, we propose to lower the threshold for awarding points to attain benchmark 2 as summarized in the following table:

Percent Postconsumer Material	Points
10 or more	100
5 - 9	50

V. Benchmark 3

It is our intent to distinguish remanufactured from restored, renovated and repaired by requiring cartridge remanufacturers to subject the remanufactured cartridge to a formal process such as ISO 9001 or other documented standard operating procedures. We are mindful that requiring ISO 9001 can be onerous on some remanufacturers who are environmentally responsible but lack the resources to put the ISO 9001 quality management system in place. However, we agree that a formal process is needed to differentiate between environmentally preferable remanufactured cartridges from other remanufactured cartridges. To this end we propose to revise the language of benchmark 3 by replacing “other documented standard operating procedures” with “a similar recognized standard.”

Additionally, we agree that remanufacturers, as part of their formal process, should demonstrate sound environmental management practices for the disposition of replaced parts and cartridges that they or their supply chain collect, but do not remanufacture due to defects or other reasons. To this end we propose to revise the language of benchmark 3 to include your following suggestion:

A remanufactured cartridge must be processed in such a way that the replaced components and collected cartridges that are not remanufactured are responsibly managed, preferably by recycling.

VI. Benchmark 4

The intent of benchmark 4 is to offer a method of attaining the EPP standard through the collection of a significant percentage of a cartridge model. One of the goals of the EPP standard for printer and duplication cartridges is to divert as many cartridges as possible from landfills. To achieve this goal, all collection efforts, including but not limited to original equipment manufacturers (OEMs), remanufacturers, and cartridge brokers can have an important role.

To collect a specific new cartridge model, all collection efforts can be utilized. For example, consider a new cartridge model denoted Model A. With a collection program in place, the OEM of Model A would collect a certain percentage of this model. The remanufacturers and brokers will also collect a certain percentage of this model. If the OEM can certify that the cumulative collection rate is 60 percent, then Model A would be considered an EPP. Brokers typically sell cartridges to remanufacturers. Since the remanufacturers would presumably market Model A as a remanufactured Model A cartridge, the OEM can then determine what percent of Model A is collected. We feel that this marketplace approach to collection rate would not disrupt the secondary cartridge market, not be an unreasonable administrative burden, can be reasonably calculated, and is consistent with shared responsibility for cartridge collection. We consider such an approach to the collection rate as a win-win proposition for OEMs, remanufacturers and the State of California.

Furthermore, we agree with you that responsible environmental management of collected cartridges is important. Therefore, we propose to include the following:

All collected cartridges must be processed in such a way that the replaced components that are not remanufactured are responsibly managed, preferably by recycling.

VII. Addressed Markets

In view of our marketplace approach to cumulative collection rate, we feel that the addressed market should include all California sales.

VIII. Cartridge Distribution Tracking

We acknowledge that there will be an administrative cost associated with cartridge model tracking, however, in view of our marketplace approach to cumulative collection rate, cartridge model tracking should not require substantial additional effort beyond what is already known about the markets for used cartridges.

IX. Basis for Proposed Threshold

In your letter dated October 10, 2005, you stated:

“..based on accepted industry data, the cartridge secondary market as a whole achieves a far higher collection rate for many products.”

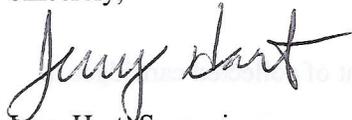
We feel that our marketplace approach to a cumulative collection rate is in agreement with the important role that the secondary toner cartridge market plays in collection and recycling of cartridges. In light of this marketplace approach, we consider a collection rate of 60 percent to be a reasonable rate. To attain an EPP designation for a cartridge model, we are merely asking vendors to account for the disposition of slightly more than half of their products regardless of how and by whom they are collected. Surely, this approach would not put HP in a competitive disadvantage.

In our previous correspondences with you we had indicated that CIWMB staff would schedule conference calls and/or workshops at any time during the process as needed. Based on our communications with you and other interested parties over the past six months, we feel that we have achieved consensus on major aspects of the EPP standard for printer and duplication cartridges. Therefore, it is time to bring all of the stakeholders together to discuss the outstanding issues and finalize the standard. Consequently, we have scheduled a workshop for Monday, December 12, 2005 at our Cal-EPA building at 10th and I Street in Sacramento. The meeting will be held in the Conference Room 230, 2nd floor from 1:00 p.m. to 4:00 p.m. We ask you to respond via e-mail to Mr. Fareed Ferhut at fferhut@ciwmb.ca.gov and indicate whether you will attend this workshop.

I would like to thank you again for responding to our letter with helpful comments and suggestions. I look forward to continuing our dialogue and working together towards establishing an environmentally preferable standard for printer cartridges. We will be sending out our next letter to the interested parties on November 17, 2005, and would like to encourage you to continue your assistance in this effort.

If you have any questions or comments, please contact Mr. Fareed Ferhut at fferhut@ciwmb.ca.gov or (916) 341-6482. I hope to see you at the workshop.

Sincerely,



Jerry Hart, Supervisor
Buy Recycled Section

Cc: Bill Orr, CIWMB
Fareed Ferhut, CIWMB