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TESTIMONY

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On Behalf of
The Association of Home Appliance Manufacturers

Before the Virginia House
Agriculture Chesapeake and Natural Resources
Agriculture Subcommittee Committee

HEARING

HB 647 & HB 918
Establishing a Packaging Stewardship Program and Fund

January 26, 2022

Chair Webert and members of the Committee, for the reasons outlined below, the **Association of Home Appliance Manufacturers (AHAM) is strongly opposed to HB 647 & HB 918**, which would establish a system of extended producer responsibility, enforced by a producer responsibility organization (PRO) to recover covered materials, and **willing to work with you on proven solutions that are effective.**

AHAM represents more than 150 member companies that manufacture 90% of the major, portable and floor care appliances shipped for sale in the U.S. Home appliances are the heart of the home, and AHAM members provide safe, innovative, sustainable and efficient products that enhance consumers' lives.

The home appliance industry is a significant segment of the economy, measured by the contributions of home appliance manufacturers, wholesalers, and retailers to the U.S. economy. In all, the industry drives nearly \$200 billion in economic output throughout the U.S. and manufactures products with a factory shipment value of more than \$50 billion.

In Virginia, the home appliance industry is a significant and critical segment of the economy. The total economic impact of the home appliance industry to Virginia is \$2.4 billion, over 14,000 direct and indirect jobs, \$309.5 million in state tax revenue and more than \$759.1 million in wages.

Approach Would Negatively Impact the Recycling System in Virginia

Virginia would not be the first state to explore a packaging stewardship program. The state of Connecticut established a Task Force to Study Methods for Reducing Consumer Packaging that Generates Solid Waste in 2016. The Task Force released its recommendations in February 2018 after a year of stakeholder meetings, expert testimony, and public comments. The final recommendations did not recommend product stewardship as a means of reducing consumer packaging that generates solid waste with concerns over the creation of a recycling monopoly through a product stewardship organization, pushing Connecticut recycling firms out of business and forcing higher costs on the collection and recycling system as a whole.

EPR is Not a Proven Solution to Waste Management Challenges

AHAM understands that the intent of managing packaging in the state. While this bill's result would likely reduce costs to municipalities it would increase costs for its residents. In practice, where these programs have been adopted in other countries, the municipalities or other solid waste and recycling entities continue to charge the public the same amount for their services as they did prior to implementation of an EPR program and the public pays more for products. Therefore, there is no actual "shift" in financial responsibility to the producer. Instead, absent any offsetting reductions in their municipal solid waste and recycling fees, consumers are caught in the middle and wind up paying more. To make matters worse, the increased costs from EPR programs actually create a disincentive for achieving greater energy savings and other potential benefits. The cost increase from EPR could deter consumers from purchasing new appliances, which are more energy and water efficient, and more sustainable.

In addition, EPR attempts to insert a product manufacturer into the recycling stream, but the manufacturer has limited ability to influence consumer behavior regarding recycling or to change municipal waste policies that can drive greater recycling. In reality, EPR often results in hidden new costs to consumers that is by and large used to pay for the operation of a stewardship organization, substantial manufacturer compliance and reporting costs, and the government agency that is providing oversight.

In Canada, “EPR” packaging programs exist in various provinces, with manufacturers having to comply with each program that varies in scope. This is very costly to both manufacturers and to residents and has shown to be ineffective in improving recycling rates or achieving any of the recycling targets that are set. Ontario and British Columbia (B.C.) have two of the more recognized programs. In Ontario, 2019 program costs increased were 12.4 percent from 2014 (an average annual increase of 2.4 percent), where B.C.’s program costs were 28.5 percent higher over the same period (average annual increase of 5.2 percent).^{1,2} Contrary to program costs increases, over the same period, Ontario’s program materials recovery rate decreased by 7.4 percent and B.C.’s decreased by 2.4 percent. And to be clear, this is not even “recycling rate,” but “recovery rate,” which measures the reported amount of materials into the system compared to the amount collected. This is artificially inflated in B.C. due to the newspapers not being included because the media sector was not supportive. In 2019, the Ontario program cost was more than \$98.1 million (USD) and B.C.’s program cost more than \$78.7 million (USD), which consumers indirectly fund. The Ontario program alone has \$55,795,594 million (USD) in reserves built-up.

Recycle BC and Stewardship Ontario are the only package recycling programs approved by each province’s Government, and as a result all obligated parties must adhere to their strict rules and regulations. This includes local processors and recyclers of materials, which if these programs choose not to do business with them, they will be out of business.³

Institutional, Commercial and Industrial (IC&I) Streams and Service Parts Not Exempted
Typically, when a new appliance is delivered and installed, the company delivering the appliance removes the packaging and takes it away for recycling. Through the business-to-business channel, materials are recycled and discarded accordingly, without placing a burden on municipal waste and recycling systems. The inclusion of Institutional, Commercial and Industrial (IC&I) would create significant unfairness and cross-subsidization between manufacturers. It also would create significant additional complexity and cannot be tracked by manufacturers on a unit level basis. For example, stretch wrap applied to a pallet of small appliances may be applied by a third party at a distribution center or after the manufacturing process, and service parts shipped to a service provider may sometimes be packaged individually and sometimes with multiple parts. The variability of packaging related to IC&I and service parts would add major complexity to manufacturer compliance requirements, ultimately raising costs for Virginia consumers. In addition, material collected in business-to-business transactions have less

¹ Stewardship Ontario. (2019). 2019 Annual Report. Stewardshpontario.ca

² Recycle BC. (2019) Annual Report 2019. Recyclebc.ca

³ Note, Stewardship Ontario is currently winding down its program to restart under a new Ontario Authority, which aims to shift program costs completely to obligated parties

contamination, which makes recycling easier. Placing this material in the more contaminated “blue box” recycling stream is lowering the recyclability of this material.

Producers May Not Have Data on Where Products Are Ultimately Sold and Used

Producers of products that are sold through national and even US-Canada distribution chains do not have control or information pertaining to how products move through various distribution and retail networks. For example, an appliance manufacturer that ships products to a distribution center likely is unable to determine the location of final product sale and use. In such situations, a producer would only be able to report on products shipped to a distribution center, which could be regionally based inside or outside of Virginia. This also would be a major disincentive for maintaining and locating new distribution facilities in the Commonwealth and could lead to sales data that does not accurately reflect what is sold to Virginia consumers.

Solutions

The manufacture of plastic exploded over the past 50 years and no one should dispute that this development in material science is a net benefit to society. There is an equally indisputable flip side, and that is the environmental mark that plastic is leaving on the planet. Unsightly litter, the Great Pacific Garbage Patch, and plastic pollution in oceans and waterways are all challenges that require solutions. The home appliance industry, through AHAM, is willing to play its part to find solutions.

Consumer waste streams create the vast majority of plastic waste, particularly single use plastics, and create most of the leakage into the environment. One solution is “pay-as-you-throw,” which has proven to be more effective in driving higher waste diversion and changes in consumer behavior, without the administrative burdens and costs of an EPR system. AHAM was involved and supportive of the final legislation in California to reduce single-use plastic packaging waste that almost was enacted into law last year, and we are willing to work with you on a similar legislative concept that would make a difference.

Conclusion

AHAM appreciates the opportunity to provide comments on HB 647 & HB 918 and urges the Subcommittee to oppose the bill. Manufacturers of consumer products need flexibility in choosing appropriate materials for packaging their products to avoid situations that cause product breakage and damage during transport (which ultimately increases the lifecycle impact of the product) as well as to deter theft of smaller, high value electronics from retail establishments. These proposals would increase costs for the industry thereby limiting the available resources for companies to invest in innovative and sustainable packaging solutions. The current system for appliances and appliance packaging works, and it should be allowed to continue on its successful path. For future reference, my contact information is (202) 202.872.5955 x327 or via electronic mail at jcassady@aham.org.