

## RoHS and WEEE: It's an Executive Problem

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Any company doing business in the European Union (EU) has less than 7 months to begin complying with the Waste Electrical and Electronic Equipment (WEEE) directive and less than 18 months to come into compliance with the Restriction of Hazardous Substances (RoHS) directive. Not meeting these two directives could cost companies millions. They must be taken seriously and be an executive-level priority.

**The Bottom Line:** WEEE and RoHS risks are being managed too low in the organization. Material revenue, cost, and brand implications are at risk.

### Deadlines are looming

The deadline for RoHS is July 1, 2006. By that date, all nonmilitary products will need to be void of lead, mercury, cadmium, and other harmful substances. Documented proof of compliance will be needed; otherwise, regulated geographies can bar entry. Just ask Sony about how much that can hurt: In late 2001, the Netherlands halted sales of PlayStations because they contained too much cadmium. The result: \$110M of lost revenue.

WEEE kicks in even sooner, August 13 of this year. In less than seven months, companies will need to have systems in place to return consumer waste free of charge. By December 31, 2006, producers will need to finance the return of 75% of all products. This enormous reverse logistics concern will create significant costs for suppliers.

### RoHS is a huge issue, so why is it being handled so far down in the company?

Every company in the electronics supply chain, from parts manufacturers to retail outlets, needs to have strategies to comply with these EU regulations. Right now the wrong questions are being asked by the wrong people in the development of these strategies. Employees from Environmental Health and Safety (EH&S) and parts procurement teams are discerning how to substitute for lead in their products. While this is important to understand, executives need to be asking bigger questions:

- How much revenue is at risk?
- How long will it take to fix the problem?
- How much will it cost?
- What parts and products are affected?
- How do the regulations vary from country to country?

### OEMs are leading the way in RoHS denial

Original Equipment Manufacturers (OEMs) are telling suppliers to deal with the problem. Unfortunately, the suppliers' razor-thin margins have already been stretched. Shortages of compliant parts and massive parts number confusion are certain. We are finding that OEMs cannot define the impact of the problem and therefore cannot state if it is a material impact.

### WEEE could be a logistics nightmare

While RoHS states that harmful substances cannot go into products, WEEE makes companies accountable for the recovery of waste. This reverse procurement concern is forcing producers to finance the collection, treatment, recycling, and recovery of electronics waste. This creates an unbelievable logistics challenge. In fact, the issue is opening up new markets to those in the waste and transportation businesses.

### WEEE demands executives ask the right questions

Executives need to ask the following:

- How much will this cost, and what level of noncompliance can I afford?
- What are the brand repercussions of noncompliance? (Producers will be contacting the consumer in new ways.)
- How can the company encourage (or force) consumers to return products?
- What partnerships need to be in place?

Not only will these issues not go away, they will get worse. It is very possible that WEEE and RoHS will add additional hazardous products, change minimum tolerances, and modify recovery rates. And new regulations will continue to surface as more countries become green.

**Recommendations:** Executives need to start assessing the magnitude of this problem and become intimately involved with the mitigation process immediately. Technology is available to help many phases of this issue. **Agile, i2, SAP, IBM**, and niche companies such as **Synopsis, RoHS-WEEE.net**, and **WCT** can assist.

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