



## DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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### CalRecycle Review of the Thermostat Recycling Corporation's 2014 Annual Report for DTSC May 14, 2015

1. **TRC's 2014 performance does not meet the DTSC performance requirement** - In DTSC's 2012 [Initial Statement of Reasons, Mercury Thermostat Collection and Performance Requirement](#), DTSC referenced Maine and Vermont as the two leading states in thermostat collection in 2011 and concluded:

*If the manufacturers were able to achieve a comparable per capita collection rate in California (500 per 100,000 people) in a given year, it would correspond to  $500 \times 370 = 185,000$  thermostats. The performance requirements specified in this section are more modest.*

TRC's performance in collecting thermostats in California is shown below.

Year	Thermostats Collected	DTSC Regulatory Performance Requirement	% of Performance Requirement met
2013	23,017	32,550	42%
2014	22,453	95,400	24%
2015	TBD	113,850	TBD

This performance is very low compared to other states who have used financial incentives (\$5 rebates) to improve collection performance.

2. **TRC's California program funding is low relative to the 2015 performance requirement and proposed modifications** – TRC's 2014 report did not provide California-specific financial data as recommended in CalRecycle's [September 2014 review](#) of TRC's 2013 report. However, it appears TRC's 2014 national program expenses (\$1,412,333) were dedicated to 11 states with mandatory manufacturer/TRC-funded collection programs (based on [TRC's State Recycling Program webpage](#)). California's households represent about 37% of the number of households in those 11 states. Based on the relative number of households, a proportional percentage of TRC's 2014 national budget would be roughly \$517,000 (37% of \$1,412,333) for California, or about \$0.04 per household. This approximate spending level and associated program activities resulted in the collection of 22,453 thermostats in California in 2014 (see table above). TRC's 2015 performance requirement is 113,850 thermostats or roughly 5 times TRC's past performance level of 22,453 thermostats. TRC's proposed program modifications included 14 additional planned advertising promotions and continuing to exhibit at events and engage larger contractors and distributors, representing little substantial change in program activities. Considering TRC needs to increase the collection of thermostats in 2015 by a factor of 5 in order to meet program requirements, TRC's funding levels are too low and under-commit the level of resources and associated program activities needed to meet 2015 requirements.



3. **\$5 rebates are a reasonable solution for meeting 2015 performance requirements**– Vermont and Maine are the only two states in the nation with mandatory \$5 rebates per thermostat and data in TRC’s 2014 report reveals these two states ranked #1 and #2 in thermostat collection per capita (or per household) respectively.

In California, TRC’s 2014 report described a 3-month trial “\$5 for 5 gift card program” (offering a \$5 gift card to In-N-Out Burger for every 5 mercury thermostats returned) for one distributor company in California and a loyalty program (earning points redeemed for brand-name merchandise) beginning in September 2014. TRC concluded:

*Data from 2014 suggest that recycling is not “sticky” and contractors/technicians shifted recycling from one location to another likely due to either the availability of the \$5 for 5 gift card promotion or loyalty program. TRC suggests additional analysis of collections within individual markets is needed.*

CalRecycle disagrees that another year of analysis is needed. Contractors/technicians shifting recycling is likely due to the availability of a \$5 incentive or loyalty program and indicates these incentives are the motivating factor. TRC successfully implemented these promotions for one distributor company in California, which resulted in a significant 13% increase in collection at 80% of their participating locations for 2014, despite an overall drop in statewide collection.

Combined with the consistent per capita collection results in Vermont and Maine over several years, CalRecycle considers an ongoing statewide \$5 rebate program for each thermostat to be a potential solution for meeting TRC’s 2015 performance requirement. Given TRC’s performance requirement of collecting 113,850 thermostats in 2015, \$5 for each of those thermostats would cost \$569,250 in rebates alone, which is more than TRC’s estimated budget for California to date as a whole.

4. **Immediate payment of \$5 rebates will likely improve results** – Referencing the Technician Loyalty Program in California, TRC’s 2014 report stated:

*Participation in the program is increasing and TRC continues to adjust program marketing/promotion...Participation levels are low. Conversations with collection location staff indicate that technicians prefer “instant” rewards and the additional effort to create an account and redeem points negatively affects participation rates. This is a significant issue with providing remunerative incentives and is not unique to California.*

TRC’s 2014 report stated Maine’s mandatory incentive program participation peaked in 2010 and “...payments are not made until receipt of the thermostat, meaning there is often a 3 to 12 month lag between recycling and payment.” This indicates a potential factor for declining participation in Maine is delayed \$5 payments. In contrast, Vermont, which is now the leading state for thermostat collection per capita, allows immediate payouts (e.g., \$5 in-store coupons). Thus, CalRecycle considers immediate payout of \$5 rebates as an important key to program participation.

5. **TRC provides insufficient data analysis to justify proposing no increased outreach to HHWCFs, retailers, consumers, or homeowners** (consistent with CalRecycle’s September 2014 review and DTSC’s [Follow-up Discussions on Summary of Violations](#) (Jan. 2015)).

TRC mailed education and outreach packages to HHWCFs in November and followed up in December. Their 2014 report stated:

*Out of the 200 contacts, TRC received 14 responses and only 6 bin orders by year's end...the response rate to this initiative was low...The city of LA contacted TRC in November following the initial mailing, but the order for containers was not placed until March of 2015.*

Without knowing which 6 jurisdictions responded to request bins, it is unclear whether TRC's outreach to HHWCFs was effective. For instance, adding the thermostats collected in the City of Los Angeles alone would represent about a 50% increase in TRC's existing total HHW collection amounts (see CalRecycle's September 2014 review, Appendix 2 showing 129 lbs. collected in L.A. in FY 2012/13 compared to 254 lbs. as part of TRC HHW programs). Other jurisdictions shown in Appendix 2 also collect large amounts but it is unclear whether they responded to TRC's outreach. This suggests more outreach could be done including calling HHW program managers (starting with larger jurisdictions) and explaining the benefits of the program as recommended in CalRecycle's 2014 review. Since many contractors effectively run many jurisdictions' HHW programs, this recommendation should include contractors. TRC's 2014 report stated:

*TRC staff entered discussions with Clean Harbors regarding increasing the participation of Clean Harbor operated facilities participation in the program including potentially diverting mercury thermostats from regional facilities to the TRC program.*

CalRecycle recommends TRC work with all contractors that collect thermostats. If TRC could provide a list of HHW facilities that did not respond to TRC's outreach but continue to collect thermostats (based on Form 303 data), then CalRecycle could provide TRC with a list of contractor contacts for this outreach.

TRC should analyze retailers, consumers, or homeowners separately from others - CalRecycle's September 2014 review stated:

*TRC reported "representatives visited over 240 HVAC wholesale and retail locations." Without a breakdown of wholesale vs. retail visits, it's unclear how much focus TRC made on the retail sector since they otherwise appeared to ignore the retail sector in 2013 and in their plans for 2014.*

TRC did not implement the above recommendation as their 2014 report states their outreach included:

*168 collection location visits by TRC contractors targeting wholesale and retail locations with low or no participation in the previous 12 months.*

In addition, CalRecycle's September 2014 review stated:

*...despite three pages devoted to evaluating program effectiveness, TRC arguably did not sufficiently evaluate the effectiveness of educational efforts (e.g., discounting homeowners as a +/-10% segment of the market).*

TRC did not implement this recommendation as their 2014 report includes no analysis of the homeowners market, stating:

*Homeowners remain a secondary market as they represent a small market segment (+/-10%) and one that has had little impact on collections due to limited HHW and almost no retail participation in the program.*

6. **“Provide California-specific financial data”** - CalRecycle’s September 2014 review stated:

*DTSC found it impossible to determine the effect of financial expenditures in California when financial data is presented at a nationwide level. California statute (H&SC §25214.8.17 (5)) requires an accounting of the program administrative costs...CalRecycle suggests that DTSC could require California-specific data as it is essential in evaluating the effectiveness of TRC’s program...[An example of this could be found in] CalRecycle’s [Key EPR Checklist](#) Elements [which includes:] Budgets must be sufficiently detailed to indicate program costs and expenditures and provide transparency so that funds collected in California are spent on the California program.*

TRC continued to provide nationwide financial data in its 2014 report. CalRecycle recommends that TRC should provide California-specific financial data.

7. **Additional recommendations from CalRecycle’s September 2014 feedback on TRC’s 2013 Annual Report.**

CalRecycle provided feedback in the [September 2014 review](#) on TRC’s 2013 Annual Report and those recommendations still apply.