Proposal to the Department of Business, Innovation & Skills

WEEE Compliance Fee Methodology

Developed by the following Producer Compliance Schemes:

- Advantage Waste Brokers
- Dataserv Group
- DHL WEEE Compliance
- Veolia WEEE Compliance
- Wastepack / Electrolink
- WeeeCare
- WE3 Compliance

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Glossary

AATF Approved Authorised Treatment Facility

AE Approved Exporter

BIS The Department for Business, Innovation & Skills

DCF Designated Collection Facility

DTS The Distributor Take-back Scheme

EEE Electronic and Electrical Equipment

Escalator The mechanism in the proposed methodology that incentivises compliance through physical collection of WEEE from DCFs and other sources

Fee The compliance fee under Regulation 76 of the WEEE Regulations

JTA Joint Trade Associations Group (Producer Responsibility)

LHAs Large household appliances

PCS Producer Compliance Scheme

Settlement centre An online tool managed by the Environment Agency through which PCSs accept evidence submitted by AATFs

t2e The Environment Exchange. The proposed administrator of the fee

WCAs Waste Collection Authorities

WDAs Waste Disposal Authorities

WEEE Waste Electrical and Electronic Equipment

WEEE Regulations Waste Electrical and Electronic Equipment Regulations 2013

Introduction

WEEE Regulations 2013

The Waste Electrical and Electronic Equipment (WEEE) Regulations 2013 are based on the 'producer responsibility' principle. Producers placing EEE on the UK market are responsible for financing the costs of the collection, treatment, recovery and environmentally sound disposal of an amount of the relevant WEEE (Regulation 11). This implies that producers have the responsibility to pay the costs associated with the transport and the final disposal of WEEE.

Under the WEEE Regulations 2013, the number of WEEE categories is set at 14. Collection targets for household WEEE are given to Producer Compliance Schemes (PCSs) in 6 collection streams, into which the 14 categories are allocated. The 6 collection streams are as follows:

- Large household appliances
- Cooling appliances containing refrigerants
- Display equipment
- Gas discharge lamps
- Small mixed WEEE
- Photovoltaic Panels

Each PCS is given a collection target by the Environment Agency it is registered with for each collection stream for each compliance period (calendar year). This target is based on the amount of EEE in each 14 category that was put on the market by the PCS' producers members in the previous year, and the national collection targets determined by the Department for Business, Innovation & Skills, BIS (in March of each compliance year).

Compliance fee

The WEEE Regulations 2013 establish a system of household WEEE collection targets for PCSs. Regulation 33 provides that, where a PCS has failed to achieve its collection targets, the PCS may choose to pay a compliance fee in order to meet the cost of its financing obligations. This provision is subject to BIS approval, and does not specify how any fee should be determined.

PCSs and other stakeholders are invited to make proposals for a compliance fee to BIS by the 30th of September in any compliance year. All proposals received will by BIS before the 30th of September deadline will be published and subject to a consultation with interested parties (notably producers, AATFs, PCSs, local authorities, waste management companies and the re-use sector). The exact timing of the consultation will depend on the number of proposals received. The consultation period will be a minimum of four weeks.

BIS may then approve only one methodology and will announce the decision by the middle of February following the end of the compliance period to which the compliance fees will be applicable. This will allow sufficient time for PCSs to pay a compliance fee as appropriate and include evidence of payment with their Declaration of Compliance by the deadline date of 31st March.

Current WEEE market failings and impact of the compliance fee

"The objective is to address the concerns from producers of EEE that the actual cost of compliance with their financial obligations set out in the existing WEEE Regulations is significantly higher than the true cost of collection, treatment, recovery, re-use, recycling and environmentally sound disposal of WEEE that they are required to finance"
The above paragraph is an extract from the Impact Assessment issued when the 2013 WEEE Regulations were being consulted on. This is a clear statement suggesting that the original WEEE Regulations resulted in costs exceeding the "true cost of recycling". The 2013 WEEE Regulations sort to address this issue.

The 2013 WEEE Regulations provided BIS with the ability to approve a compliance fee methodology. The inclusion of the compliance fee as an alternative means of compliance gave PCS who did not meet their target through the physical collection of WEEE the ability to pay the fee instead and still meet their PCS overall collection target.
For 2014 BIS approved a compliance fee methodology put forward by the JTA. One of the main features of this methodology was the limited input of costs. The methodology only allowed PCS using the fee to submit costs[1]. This left the fee open to potential price manipulation by those PCS intending to use the fee as an alternative means of compliance.

Given the ability of PCS using the compliance fee to manipulate the price there is no guarantee that even the true costs of collection , treatment, recovery, re-use, recycling and environmentally sound disposal of WEEE is being financed by the producers under the 2013 WEEE Regulations.

There is also no incentive being created to encourage PCSs to physically collect the WEEE. Given that the UK is facing increasing targets in 2016 and then again in 2019 focus should be given on paying for actual WEEE recycled. The current system is demonstrating that the targets have been met and that more WEEE is being collected. This is of course in an economic environment of growth with more EEE being placed on the market and therefore as expected more WEEE being disposed of. The target for 2015 was set at 506,878 tonnes an increase of 16,347 tonnes from 2014 equating to a percentage increase of 3.3%. However if we apply the trends from previous compliance periods with regard to EEE placed on the market the first 2 quarters represent around 44% of the total EEEE in a year. Therefore if we apply this percentage to the 2015 Q1 and 2 EEE numbers the estimate is 1,438,556 tonnes and therefore the target only represents 35.2%.

The below table shows how the percentage of WEEE to EEE has been dropping over the last few years which given the increase in targets in 2016 must cause concern.

Year	Target	EEE	%
2012	488,742	1,108,458	44.09%
2013	474,710	1,129,071	42.04%
2014	490,531	1,231,940	39.8%
2015	506,878	1,438,556	35.2%

If the trend demonstrated by the table above continues then the UK does not have the ability to meet its WEEE target in 2016.

[1] The administrator of the compliance fee mechanism also invited PCSs not using the fee to submit evidence costs data. This was **not** included in the proposed methodology approved by BIS.

At the recent WEEE conference a BIS representative stated that the UK was on track to meet its future targets. In order to demonstrate this they had included the WEEE reported as non-obligated. If we analyse the non-obligated WEEE numbers for 2012-2014 these show a decrease of 14.6% over the period and this downward trend is continuing in 2015. An opposite trend is not being seen in obligated WEEE. Whilst in previous years if non-obligated WEEE is added to WEEE collected then the 45% target would have been exceeded in 2015 the non-obligated collections are continuing to fall making this less certain. In fact if we add the forecasted WEEE collected and non-obligated WEEE reported these fall short of the 45% target.

The WEEE Regulations do allow under Regulation 34 for a local authority to have a free of charge uplift of its WEEE from any PCS that it chooses. This places additional administrative burden on the local authority in having to arrange these collections themselves. Also where are the incentives from the local authority to encourage consumer recycling of WEEE and the development of relationships between a local authority and a PCS?

The importance of setting the compliance fee at the correct level is demonstrated by the above issues. If the fee is too low then the incentives are not there for the WEEE to be collected as the alternative means of compliance becomes more attractive. The objectives of the new WEEE Regulations were to ensure that the cost of compliance reflected the true costs of recycling. There is concern that the existence of the compliance fee has pushed the prices being offered for the collection, treatment, recovery, re-use, recycling and environmentally sound disposal of WEEE is below what the true costs now are. The compliance fee must be set at a level that makes it a cost disadvantage to take this option.

Purpose of the compliance fee

The existence of a compliance fee is “intended to discourage PCSs from collecting WEEE significantly above their targets and then seeking to sell that surplus at excessive prices to PCSs that are short of their target amount in any category for which they have obligations” (BIS guidance on submitting proposals for a WEEE Compliance Fee Methodology, July 2015).

In each compliance period, BIS may approve a methodology for the calculation of the fee. Regulation 76 of the WEEE Regulations 2013 sets out how the compliance fee is to be determined.

Proposal requirements

BIS guidance published in July 2015 states that compliance fee proposals should cover the following six broad areas:
1. Proposed methodology for the calculation of the fee.
2. Proposed administration of the fee
3. Proposed methodology for the dispersal of funds
4. Proposed timetable for implementation and operation
5. Experience of proposer and proposed operator
6. IT Systems

This proposal addresses each of these six areas, in this order. This proposal understands the following requirements for the compliance fee methodology, as established by BIS.

1. Any fee should be set so as to encourage PCSs to take all reasonable steps to meet their collection target without recourse to the compliance fee, but should not be at too high a level that it encourages overpayment for WEEE.
2. It should reflect the different collection and treatment economics of each WEEE collection stream.
3. It should be stream specific.
4. The fee is payable on the tonnage for which a PCS is responsible which has not been achieved through its own collections from DCFs, regulation 43, 50 or 52 returns, or through arrangements with third parties.
5. Proposals should be capable of operating with minimum involvement from Government or the Agencies and include details of how any fees will be administered and arrangements for the governance and disbursement of funds to suitable projects.
6. Any exchange of PCS specific cost information should be treated as confidential and not disclosed to other PCSs.

Proposal

This submission is a proposal for calculation methodology and administration of WEEE compliance fee, in accordance with Regulation 76 of the WEEE Regulations 2013 and BIS guidance published in July 2015. This proposal covers the WEEE compliance fee for the compliance year 2015.

This document sets out proposals for formulating a common methodology developed and supported by the following PCSs:

- Advantage Waste Brokers
- Dataserv Group
- DHL WEEE Compliance
- Veolia WEEE Compliance
- Wastepack / Electrolink
- WeeeCare
- WE3 Compliance

Appendix 1 provides information on the PCSs submitting this proposal.

The following organisations also contributed to this proposal:

- Transform, the WEEE PCS operated by Biffa Waste Services Ltd
- t2e, the proposed compliance fee administrator

1. Proposed methodology for the calculation of the fee

1.1 General principles

The methodology proposed includes details of how fees are to be calculated for each stream, but does not include actual fees. It is not possible to calculate actual fees until after the end of the compliance year when actual tonnages and costs are known.

The total compliance fee applicable to each PCS will comprise a base compliance fee multiplied by an escalator (explained in section 1.4) which would increase the fee by certain percentages depending on the degree of shortfall in any particular stream against PCS collection target. This is to reflect the fact that a PCS which largely meets its target but is short by a small tonnage has made a significant contribution whereas a PCS which collected very little has made no contribution to national collections and therefore should pay correspondingly more per tonne to compensate.

We propose to add a 10% base escalator which will not be linked to the shortfall of the PCS using the fee for a given category, to incentive further PCSs to meet their collection targets through physical WEEE collections.

Payments made to the compliance fee administrator will have VAT added.

1.2 Calculation

1.2.1 Formula

The base compliance fee will be calculated as the average net cost should be weighted based on the tonnes of household WEEE collected by each PCS, so that it is not distorted by small and therefore potentially unrepresentative WEEE collections.

The fee is calculated using a formula that ensures that the compliance fee per tonne increases the further a PCS is from achieving its target, to incentivise compliance by physical WEEE collections. This mechanism is referred to as the escalator (see further section). The formula, for each of the 6 WEEE collection stream is as follows:

Compliance fee = (Base compliance fee + Escalator) x PCS collection target shortfall + Administration fee + 10% base escalator + VAT.

1.2.2 Key

<u>Base compliance fee</u>: weighted average cost of WEEE evidence in each WEEE stream from all contributing PCSs

<u>Escalator</u>: Base compliance fee x % shortfall

<u>PCS collection target shortfall</u>: The PCS tonnage shortfall by WEEE stream

<u>Administration fee</u>: total administration fees incurred by the fee administrator divided by the number of tonnes of WEEE procured through the compliance fee by the PCS. (See section 2.3 for further details).

<u>10% base escalator</u>: regardless of the shortfall of the PCS using the fee for a given category, to incentive PCSs to meet their collection targets through physical WEEE collections.

Only direct net cost should be included in the base compliance fee calculation. This means direct collection, transport and treatment costs net of any income a PCS may receive from AATFs or AEs. Only the net cost is relevant for the base compliance fee calculation.

A calculation example is provided in Section 1.4.2.

1.3 Data collection

In mid-February, the fee administrator will write to all registered PCSs (as listed on the WEEE PCS public register[2]) to find out if it is necessary to calculate a compliance fee. If it is then it will request all PCSs to submit information under conditions of confidentiality. This approach allows for a wider and therefore more robust data sample.
The information requested is described in the following paragraphs, for each WEEE stream in the compliance year:

- Direct costs (Section 1.3.1)
- Household WEEE tonnage collected (Section 1.3.2)
- Household WEEE collection target (Section 1.3.3)

Any PCS which has applied to use the compliance fee will be required to provide the information listed above as a condition of using the fee. If it does not provide the information then it will not have the option of using the compliance fee to meet its collection target. PCSs will also be aware that if they do not provide the information requested they will not have contributed to the evidence base for the calculation of the compliance fee.

Any PCS with no WEEE evidence cost data to submit for a specific stream will still be able to use the fee. See section 1.3.4 below for more details.

1.3.1 Direct costs

Direct costs paid by the PCS for household WEEE management should be included. Examples of direct costs are given below:

- DCF collection, transport and treatment
- Regulation 43 collection, transport and treatment
- Regulation 52 collection, transport and treatment
- Auditing household WEEE collection and treatment activities
- Promoting WEEE recycling and reuse activities (e.g. leaflets, scratch cards competitions at DCF, etc.)
- Container costs (delivery, rental and depreciation)
- Waste transfer or consignment notes
- Overhead costs in relation to WEEE collection activities (e.g. a WEEE collection manager whose responsibilities include auditing DCFs to maximise volumes and ensure compliance with the DCF Code of Practice).

Costs relating to household WEEE evidence purchased directly from AATFs, PCSs or waste management companies contracting with AATFs will not be included. Other overhead costs like PCS management, IT systems, administration, offices rent, etc. will not be included either.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460800/LIT8816.pdf

1.3.2 Household WEEE tonnage collected

This is the sum of household evidence notes received on the Settlement Centre, WEEE collections from DCFs or under Regulations 43 or 52. This should include evidence notes received by AATFs or AEs appointed by the PCS and evidence notes received by AATFs or AEs under evidence transfer agreement with other PCSs. This information will be used to calculate the shortfall of each PCS against its collection target for one of the 6 WEEE streams.

1.3.3 Household WEEE collection target

As notified to each PCS by the relevant Environment Agency for the compliance year covered by the compliance fee.

1.3.4 PCS with no direct household WEEE collections

If a PCS has no direct access to household WEEE but instead relies purely on WEEE evidence transfer agreements with AATFs or other PCSs, it will not be able to provide direct costs information to the fee administrator. To enable this PCS to use the compliance fee, its base compliance fee will be calculated as the weighted average of the direct costs submitted by the other PCSs using the compliance fee.

1.4 Escalator

1.4.1 Linear escalator

The fee is calculated using a formula that ensures that the fee per tonne increases the further a PCS is from achieving its target, to incentivise compliance by physical WEEE collections. This mechanism is referred to as the escalator.

The proposed escalator uses a linear approach to determine the % multiplier used. So if a PCS is 1% short of collection target for a given stream its base compliance fee would be multiplied by 1%, by 2% for a 2% shortfall and so forth.

The escalator will be calculated for each PCS and each stream separately by reference to their tonnage collected (WEEE evidence) and collection target in that particular stream.

The linear escalator mechanism is smooth and prevents any market distortions. We believe it is consistent with BIS guidance and the WEEE Regulations 2013.

The appropriate escalator will be applied to the base compliance fee for each PCS to determine its actual compliance fee for each stream according to the tonnage shortfall notified. All PCSs that have applied for the fee will then be notified of their individual compliance fees thus calculated and an invoice issued accordingly.

A 10% escalator to counteract the consequent of only low priced evidence being generated will be applied to the base compliance fee regardless of the extent of a PCS shortfall. It will put an additional incentive for PCSs to meet their collection targets through physical WEEE collections.

1.4.2 Worked example and comparison with the 2014 compliance fee escalator

After experiencing the current compliance fee system for the 2014 compliance year we believe that the premise, formula and conclusions stated in the incumbent successful JTA bid are flawed. At the very heart of the compliance fee system is the principle that the compliance fee should not discourage physical collection of WEEE. This would surely come about by either limiting the amount of tonnage available or ensuring that the compliance fee tonnage has a price point that would make it unattractive. The JTA compliance fee formula and system fails at this completely and causes the rest of the WEEE compliance system great concern.

We provided below a data table and graph to demonstrate the weakness of the JTA compliance fee escalator and the benefits of our proposed linear escalator.

The scenario is for a PCS that has a collection target of 100 tonnes in a particular WEEE stream (column 1). PCS(s) has submitted an average cost of £50 per tonne collection and reprocessing costs in this WEEE stream. The rows in the data table describe at set incremental levels of requirement, what the cost of meeting increasing levels of compliance fee tonnage will be. These incremental levels are set at 5 tonne intervals, as the overall obligation is 100 tonnes – this naturally equates to 5% intervals.

So column 2 shows the result of the PCS collecting less and less of its overall obligation and conversely the compliance fee tonnage requirement increases in column 3. Column 4 gives the % of collection target not met by a PCS in a given stream.

Column 5 shows the compliance fee cost per tonne in a given stream, under the JTA compliance fee escalator.

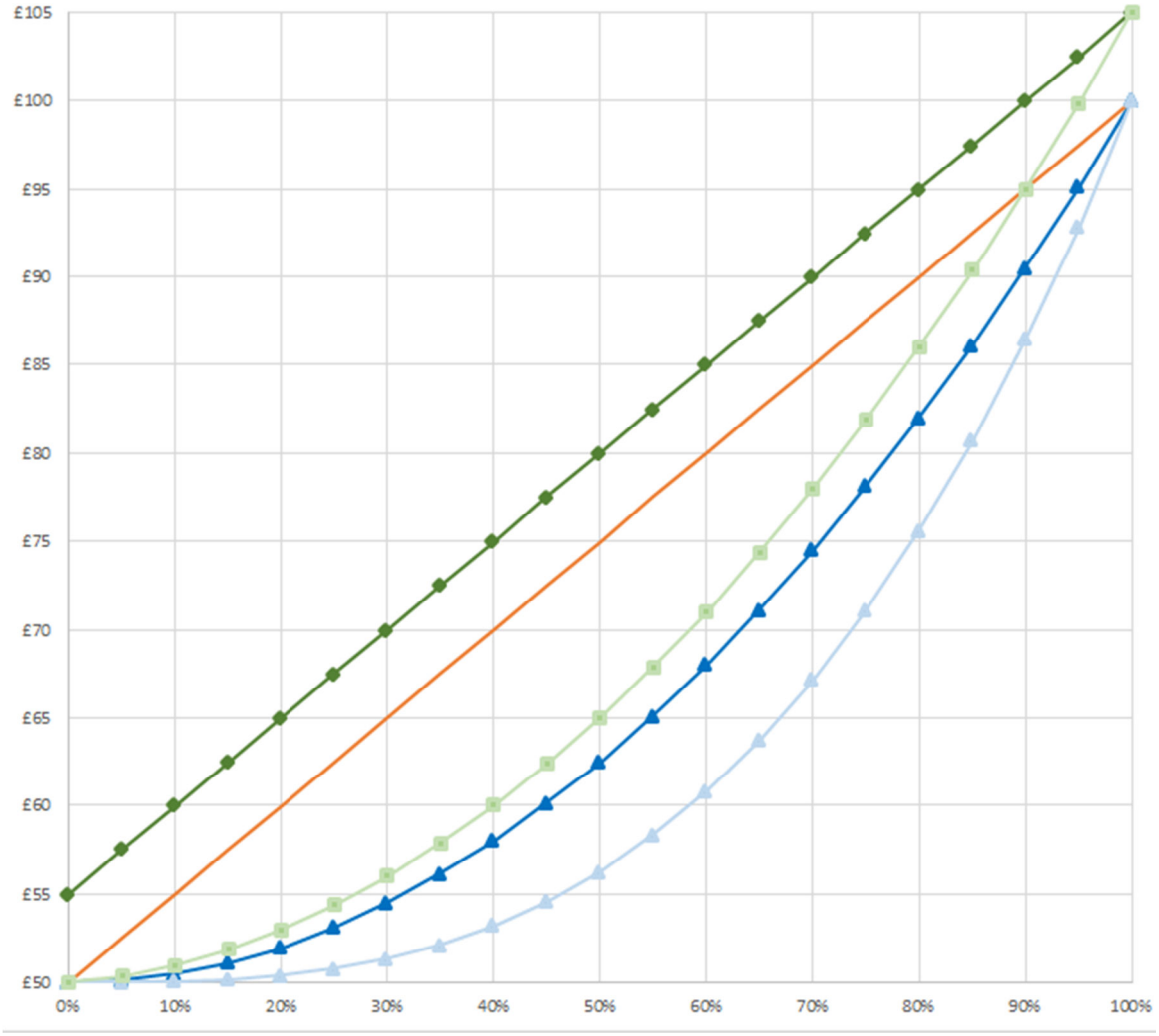
Column 6 shows the <u>combined</u> cost (physical WEEE collections and compliance fee) per tonne in a given stream, under the JTA compliance fee escalator.

Column 7 gives a straight forward linear increase in compliance fee cost per tonne with a maximum of 100% increase in cost if the compliance fee. Still assuming £50 as the average base cost data submitted by PCS(s).

Column 8 shows the compliance fee cost per tonne in a given stream, under our proposed compliance fee escalator.

Columns 9 shows the <u>combined</u> cost (physical WEEE collections and compliance fee) per tonne in a given stream, under our proposed compliance fee escalator.

					JTA compliance fee model			Proposed model	
1	2	3	4	5	5	6	7	8	9
Colletion target tonnes	Collected by Scheme	Requirement tonnes	% target not met	Total Compliance Fee £ / te	Compliance Fee Per tonne £ / te	Combined Average (Collections & Fee)	Straight Line	Straight Line & 10% Base Increase	Combined Average (Collections & Fee)
100	100	0	0%	£0.00	£50.00	£50.00	50.00	£55.00	£50.00
100	95	5	5%	£250.63	£50.13	£50.01	52.50	£57.50	£50.38
100	90	10	10%	£505.00	£50.50	£50.05	55.00	£60.00	£51.00
100	85	15	15%	£766.88	£51.13	£50.17	57.50	£62.50	£51.88
100	80	20	20%	£1,040.00	£52.00	£50.40	60.00	£65.00	£53.00
100	75	25	25%	£1,328.13	£53.13	£50.78	62.50	£67.50	£54.38
100	70	30	30%	£1,635.00	£54.50	£51.35	65.00	£70.00	£56.00
100	65	35	35%	£1,964.38	£56.13	£52.14	67.50	£72.50	£57.88
100	60	40	40%	£2,320.00	£58.00	£53.20	70.00	£75.00	£60.00
100	55	45	45%	£2,705.63	£60.13	£54.56	72.50	£77.50	£62.38
100	50	50	50%	£3,125.00	£62.50	£56.25	75.00	£80.00	£65.00
100	45	55	55%	£3,581.88	£65.13	£58.32	77.50	£82.50	£67.88
100	40	60	60%	£4,080.00	£68.00	£60.80	80.00	£85.00	£71.00
100	35	65	65%	£4,623.13	£71.13	£63.73	82.50	£87.50	£74.38
100	30	70	70%	£5,215.00	£74.50	£67.15	85.00	£90.00	£78.00
100	25	75	75%	£5,859.38	£78.13	£71.09	87.50	£92.50	£81.88
100	20	80	80%	£6,560.00	£82.00	£75.60	90.00	£95.00	£86.00
100	15	85	85%	£7,320.63	£86.13	£80.71	92.50	£97.50	£90.38
100	10	90	90%	£8,145.00	£90.50	£86.45	95.00	£100.00	£95.00
100	5	95	95%	£9,036.88	£95.13	£92.87	97.50	£102.50	£99.88
100	0	100	100%	£10,000.00	£100.00	£100.00	100.00	£105.00	£105.00



It is important to notice the very low initial values of the light blue line – this is effectively the average cost for the stream when both the collected costs and compliance fee costs are taken into account. From the JTA formula a PCS can under collect by 48% and would still only have a 10% increase in compliance costs for that stream. This is a notably low level of cost for compliance fee evidence.

As an incentive to physical WEEE collections we believe the current compliance fee mechanism underperforms significantly and may act in the opposite manner, whereby and under collecting PCS could decide to reduce the amount of WEEE collections it is responsible with minimal impact financially to the PCS.

When you add in the PCS resources required to be on board to organise and manage collections continually – this represents a significant cost saving to any PCS using this current compliance fee system. Savings would be realised by reducing the administration necessary for transport, collection and recycling elements necessary for a PCS to collect sufficient WEEE to discharge its collated obligations. A PCS could look at downsizing its collections team and taking as much compliance fee tonnage as possible.

If a PCS were to also deliberately depress its average collection costs for a stream then this formula will offer an even greater advantage to a PCS to garner compliance fee evidence at a very low cost. We are very concerned that BIS has not analysed the effect of the JTA formula and arrived at these very obvious conclusions.

We propose to use the straight line with a 10% base increase compliance fee escalator (light green line on the graph) for the following reasons:

- It is simple
- It offers an escalation impact that will force any PCS to consider physical WEEE collections as a more financially viable alternative
- Currently the compliance fee system is a more attractive alternative to collection, transfer of WEEE evidence between PCSs or any form of in-house WEEE collections.

Furthermore we see the offhand discarding of the linear solution in the JTA submission document as being unformed and specious.

1.4.3 Encourage PCSs to collect WEEE

We believe the data plotted from columns 8 and 9 - represented by the green lines on the graph is a more optimal solution in encouraging PCSs to look to physical WEEE collections in order to discharge their collated obligations whilst providing a safety-valve for the entire system in the event of non-availability of evidence in subsequent years where the UK collection targets will become more challenging.

The linear escalator will encourage PCSs to take all reasonable steps to meet their collection target without recourse to the compliance fee because the fee per tonne increases the further a PCS is from achieving its target.

The extra 10% base cost on the escalator puts an additional incentive for PCSs to meet their collection targets through physical WEEE collections.

1.5 Verification of PCSs data

1.5.1 Anomalies

The fee administrator will review all data submissions and use its own market knowledge to verify that the information provided is reasonable and reflects actual market conditions.

The administrator will compare data submissions between PCSs using the compliance fee to identify any anomalies. Anomalies will be identified and investigated by the fee administrator.

Ideally, all cost data submitted by PCSs using the compliance fee would be subject to a full audit, to prevent any accidental or deliberate inaccuracies. However, we believe that the time period between the publication of the compliance fee mechanism and the date by which PCSs must submit their declaration of compliance to the Agencies (one month) may not be sufficient for a full audit of data to be performed by the fee administrator.

The fee administrator will have the right to ask questions to PCSs, request further data or reject a data submission.

1.5.2 PCSs data audit

We believe that all PCSs for a comprehensive audit of the data would be too costly and time consuming for them. We propose instead that each PCS using the fee is required to provide a negative assurance on whether the cost data they submit to the administrator is true and is in line with the mandatory information needed to calculate their base compliance fee.

A director of the PCS using the fee will be required to approve all data submissions to verify that the data is true and fair to the best of his or her knowledge.

The PCS submitting the highest and lowest cost data for each stream will be required to provide audited WEEE evidence cost data to the fee administrator.

1.6 Robust methodology

The fee administrator can calculate the weighted average net cost per tonne of collection and treatment for each stream of WEEE from the data submitted. The calculation of the average net cost will be weighted based on the tonnes of WEEE collected by each PCS, so that it is not distorted by small and therefore potentially unrepresentative collections.
The more PCSs use the fee or voluntary submit costs data, the more robust the weighted average cost will be.

The information collected will reflect only household WEEE actually collected by each PCS, even though that evidence may have been subsequently transferred but should not be submitted by the recipient PCS (WEEE evidence transfer). Only the price per tonne for the actual collection contracts that the PCS has arranged is requested rather than any costs that have been sub-contracted to another PCS so as to avoid double counting and because those costs will be submitted by the subcontracted PCS directly.

1.7 Simple and practical methodology

The proposed compliance fee calculation is straightforward and easy to understand for the PCSs and the other WEEE industry players. The escalator is linear which makes it very transparent and simple to understand.

The methodology will be easy and simple to implement. Data required from PCSs is already available to PCSs. The proposed methodology is feasible and realistic given the time restrictions. The methodology does not put too much burden on PCSs, BIS or the Agencies.

1.8 Disclosure of the fee

The fee administrator will not make any compliance fees public but only notify the PCSs involved of their individual fees.

In the absence of alternative guidance the fee administrator will disclose to the Environment Agencies the PCSs that have applied to use the compliance fee and the amount of evidence in tonnes in each stream for which each PCS has paid a compliance fee. The fee administrator will not disclose how much in total each PCS has paid. It will also supply the same information in a certificate to each PCS for submission to the Agencies for compliance purposes that has used the compliance fee. This will be a separate document to the invoice raised for the compliance fee evidence.

Publishing the base compliance fee for each WEEE stream could create a benchmark level for AATFs to charge their PCSs for WEEE management. This could have a negative effect on the competitiveness of the market for WEEE. However we would recommend that BIS consider publishing the total value of the compliance fee fund, how many tonnes were procured through the fee mechanism and the number of PCSs who used the fee. The fee administrator could supply or publish that information if requested by BIS.

1.9 Stream specific

The proposed methodology is stream specific. The compliance fee has a value for each of the 6 WEEE collection stream.

1.10 Cost reflective

With the proposed calculation methodology the compliance fee is cost reflective. It is based on the collection, transport and treatment costs that a PCS would incur for any additional tonne of household WEEE it would decide to secure through physical WEEE collections to get closer to its collection target.

1.11 Large household appliances

The compliance fee methodology proposed by the JTA and approved by BIS for the compliance year 2014 included a zero fee for the large household appliances stream. We believe this went against the purpose of the fee as the fee should encourage PCSs to take all reasonable steps to meet their collection target without recourse to the compliance fee. Clearly, a zero fee for any WEEE stream doesn't meet this objective.

To defend this suggestion the JTA argued that large household appliances is a net revenue stream for PCSs and as such it will still be collected by PCSs. This is not always the case, depending on the transport cost that a PCS will incur for large DCF contracts. Also, the significant, recent and prolonged drop in the scrap value (to which the income offered by AATFs to PCS is linked) often makes the overall collection, transport and treatment of this stream a net cost for PCSs.

The reduction in the income received by PCSs for the large household appliance stream does not support the point raised by the JTA in their proposal that "PCSs will still be incentivised to collect and treat valuable large household appliances, because they are able to make a profit doing so" (Appendix 1, 7.41).

The JTA also highlighted that with a zero fee for this stream "administrative costs will be reduced, as less data will need to be collected and processed by the Administrator". (Appendix 1, 7.41). The reduction in administrative costs cannot be proven and could be insignificant as the fee administrator will still need to collect cost information from other PCSs for the other 5 streams. The administrative costs are more sensitive to the number of PCSs using the compliance fee.

Finally, a zero fee for any collection stream contradicts the "producer responsibility" principle on which the WEEE Regulations 2013 are based.

1.12 Methodology cost

The cost for calculating the base compliance fee will be minimal because it is simple and the required data is already available to PCSs. It does not require heavy and time consuming cost modelling. Also, a linear escalator represents the most straightforward and easiest to calculate escalator.

1.13 Consultation of stakeholders

The PCSs making this proposal have consulted extensively amongst themselves to formulate what they believe to be a practical, fair and low cost solution. In addition they have where possible in the timescale consulted with producer members. For example Valpak has discussed the topic with its Advisory Group.

In addition we have consulted widely with local authorities through both a mailing conducted by the Distributor Take-back Scheme (DTS) operator and also by presenting the key features of this proposal to a workshop of Local Authorities conducted by Valpak in Scotland. The feedback from these exercises has been positive, in particular to the proposal to use the existing DTS project fund for distribution rather than setting up an alternative mechanism.

The PCSs behind this proposal have consulted with representatives of NAWDO and LARAC. The feedback received by these organisations was positive and used to help develop the fee calculation and timetable for the disbursement of the fee fund.

The local authority organisations welcomed the possibility of additional funds to divert more WEEE from landfill. The Local Authority representatives also emphasized the importance of an application process that was designed to keep the administration burden minimal, whilst respecting the BIS Guidance on criteria.

The PCSs supporting this proposal also consulted with several representatives from the Environment Agencies and BIS. As a result, we are confident that the proposal in practical and will not put too much burden on PCSs, BIS or the Agencies.

2. Proposed administration of the fee

2.1 Fee administrator

This proposal uses The Environment Exchange (t2e) as an independent third party to administrate the compliance fee system. t2e is the right administrator for each aspect of the compliance fee system listed above because of its established position and independence in producer responsibility and for its expertise and track record in handling third party funds and administering payments.

As the fee administrator, t2e will:

- Receive applications from PCS that wish to use the fee;
- Collect actual cost information from PCS;
- Undertake independent assessment and checks to verify that the data is accurate, including the initiation of independent audits if necessary;
- Undertake the data analysis described in this proposal in order to calculate fee levels for each stream and the appropriate escalator factors described;
- Notify all PCSs who have applied to use the fee of their compliance fee £/tonne for each stream in advance of the deadline for submitting their declaration of compliance to the relevant Agency and invoice them as appropriate;
- Collect the funds, and provide confirmation to PCSs before the end of March that they have been received;
- Notify the Environment Agency of PCSs that had used the compliance fee and the evidence that had been requested;
- Transfer the funds, less administration fees, to the proposed administrator of the compliance fee disbursement (see section 3) to contribute to higher levels of collection, recycling and re-use of WEEE.

2.2 Administrative costs for data collection and fee calculation

Administrative costs will be covered by PCSs using the compliance fee. This will also have the benefits to incentivise PCSs to meet their collection targets through physical WEEE collections.

The fee administrator costs to operate the compliance fee process will include initial set up costs, plus fixed and variable operational costs depending on the number of PCSs that use the fee.

2.2.1 Estimated fixed costs

Estimated fixed costs are as follows:

£5,000. Compiling and analysing the compliance fee. For consistency this will need to remain the same regardless of the number of PCSs that use the fee.

The administration fees incurred by the fee administrator will be covered by the PCSs using the fee (See section 2.3 for further details).

2.2.2 Estimated variable costs

Estimated variable costs are as follows:
£1,250. This could increase depending on the complexity of the distribution of funds and any disputes raised by PCSs of the funds invoiced.

2.3 Administrative costs for the disbursement funds

Administrative costs will be covered by PCSs using the compliance fee. This will be charged at a per tonne basis (Total administrative fees divided by overall number of tonnes of evidence requested). This will put an additional incentive for PCSs to meet their collection targets through physical WEEE collections. Please refer to Section 3 for details of the Administrative costs for the disbursement funds.

2.4 Minimal or zero take up amongst PCSs

Administrative costs will be covered by PCSs using the compliance fee (section 2.3). In the event that there is minimal take up or zero take up amongst PCSs any uncovered costs of the fee administrator will be paid by the PCSs supporting this proposal.

2.5 Payment and declaration of compliance certificate

The fee administrator will send a summary to the Environment Agencies confirming which PCSs have used the compliance fee and the WEEE evidence tonnage per stream for which they have paid a compliance fee.

If the fee administrator is satisfied that the correct fee has been paid by a PCS, it will issue to the PCS a receipt and a compliance fee payment certificate that will include the following information:

- Confirmation of the payment made by the PCS
- Date of the payment made by the PCS
- Total tonnage covered by the compliance fee for each stream

As soon as this compliance fee proposal is approved by BIS, the fee administrator will contact the Environment Agencies to ensure that the format and content of the compliance fee payment certificate meet their annual WEEE PCSs Declaration of Compliance requirements.

The fee administrator will be responsible for checking any enquiries raised by a PCS about the total amount of the compliance fee and the payment. This way, the validation process is simple and does not place significant burdens on the Environment Agencies

If there is a discrepancy about the tonnage or stream covered by a compliance fee payment the Environment Agencies could check this with the fee administrator.

2.6 Commercial confidentiality

2.6.1 Fee administrator application terms

We have taken the necessary steps to ensure confidentiality of the proposed fee calculation methodology and the fact that no PCSs will have access to information from other PCSs are sufficient to meet the confidentiality criterion set in this section.

The fee administrator will be required to keep commercially sensitive information strictly to specified staff members. The fee administrator will request cost information from all participating PCSs under conditions of confidentiality. The fee administrator will put application terms in place which would ensure that information provided by participating PCSs remains confidential and is not disclosed outside its own organisation.

2.6.2 Data submission

To maintain confidentiality, data submitted by PCSs involved in the compliance fee will only be accessible by the fee administrator. PCSs will not have access to the data of other PCSs. PCSs that use the compliance fee will only be able to see a weighted average net cost for the stream they chose to use the fee for. PCSs will not be able to derive any confidential information from this average cost because they will not know which other PCSs' data has contributed to the average cost calculation.

2.6.3 PCS information

To preserve the confidentiality of the PCSs using the compliance fee, only the price per tonne for the actual household WEEE collection and treatment contracts that the PCS was directly responsible for is requested for the base compliance fee calculation. Any household WEEE evidence transfer agreements with other PCSs are not included. This will also to avoid double counting and because those costs will be submitted by the subcontracted PCS directly.
The information collected by the fee administrator for the base compliance fee calculation will only reflect household WEEE actually collected and treated by each PCS

2.7 Suitability of t2e as the fee operator

t2e is an independent and professional organisation that has been in operation for 17 years and relies on its financial probity and confidentiality to sustain its credibility with its 453 participants, some of whom run WEEE as well as PRN Compliance Schemes.

t2e will be required to keep any information received by PCSs using the compliance information strictly to specified staff members within its own organisation and not to disclose any such information outside their own organisation, including not to other PCSs or AATFs.

Since 1998 t2e has operated an independent marketplace through which standardised contracts for Packaging Recovery Notes (PRNs) are traded. Once these contracts are traded, t2e manages the settlement of these contracts and distributes aggregated anonymous information on the transactions that have taken place through t2e.

Historically t2e operated an independent audit service for WEEE AATFs and can call on a number of independent auditors as necessary.

The process of settling the contracts to a great extent duplicates that of the operation of the compliance fee administrator in that:

1. t2e receives applications from eligible participants that wish to use the market place. It conducts independent assessments on the suitability of applicants before accepting them as participants.
2. t2e confidentially gathers price (£/tonne) and volume (tonnes) information for eight different compliance waste streams from all participants as and when they wish to use the service.
3. t2e stores and analyses that information issuing written confirmation to the providers of the information provided.
4. t2e issues on an aggregated and anonymous basis every 20 seconds on the website and in daily, weekly, monthly and quarterly bulletins the total volume traded and the total funds received and distributed both collectively and by each compliance waste stream. t2e also provides this information on an individual basis.
5. t2e collects funds on an individual basis on a timely basis, contract by contract, from each participant that has traded on the basis of automatically issued individual written notices, the majority by direct debit.
6. t2e stores, allocates and dispatches funds using the Bank's Faster Payments Service deducting administration fees as appropriate within three working days of receipt and often swifter automatically issuing remittance advices for the sums dispatched..
7. t2e exchanges information with the Agencies to assist compliance as and when necessary.

The Rules of The Environment Exchange can be found through this link:
http://www.t2e.co.uk/rules-and-procedures.html

Particular attention is drawn to Rules EE1.2 Relationship with Participants and 2.6 (Market Confidentiality)

Rule EE.1.2 Relationship with Participants

EE.1.2.1 t2e is committed to providing exchange services of the highest quality to Participants.

EE.1.2.2 To this end t2e aims to:

(i) set rules and standards for Participants which ensure the provision by it of a fair market in which Environmental Commodities can be properly priced;

(ii) extend rights of participation in t2e only in accordance with the rights and obligations conferred from time to time by the Agencies and only to suitable bodies of good standing which:-

(a) operate appropriate internal procedures for the supervision of their activities; and

(b) have sufficient resources to perform their obligations under any contracts entered into pursuant to these Rules;

(iii) monitor the continuing compliance with the foregoing requirements by Participants to minimise the risk of default and to minimise the impact on the market should a default occur;

(iv) monitor and assess trading at the exchange, the activities of Participants and the quality of its markets; and

(v) enforce compliance with these Rules.

EE.1.2.3 t2e believes that the quality of its Participants and their standard of conduct is of fundamental importance to its standing as an exchange and is firmly committed to the fair and proper enforcement of these Rules. For disciplinary procedures and the sanctions available to t2e against Participants in respect of breaches of these Rules see Rule EE.1.8.

EE.1.2.4 All Participants shall comply fully with these Rules and will at all times act with probity and prudence in a way which promotes the operation by t2e of an orderly market in Environmental Commodities and the best interests of t2e and its Participants as a whole.
EE.1.2.5 Each Participant shall inform t2e immediately of any failure by it or any other Participant of which it is aware to comply with these Rules.

EE.1.2.6 Each Participant shall provide to t2e such financial information as t2e may request from time to time and, without prejudice to the foregoing generality, will inform t2e immediately of any change in its financial position which might cause it to fail to satisfy its obligations under Market Transactions.

EE.1.2.7 Each Participant shall inform t2e immediately of the occurrence of any event which affects its regulatory status required for its participation in Market Transactions and, without prejudice to the generality of the above, a Participant shall inform t2e of the occurrence of any event which affects its accreditation by the Agencies.

EE.1.2.8 Each Participant shall report any dispute with any third party relating to a Market Transaction to t2e at the earliest opportunity.

EE.1.2.9 Each Participant shall inform t2e in writing of any change in its name, principal place of business, or principal shareholders or controlling interest, directors or officers, bank account details, delivery address, delivery or settlement contacts and of any change in the list of persons authorised to affect Market Transactions at t2e. Wherever possible, such notice shall be given prior to the occurrence of the event in question.

EE.1.2.10 Each Participant shall allow t2e access to its premises and relevant records and shall co-operate fully in connection with any investigation which t2e considers should be undertaken into any aspect of the conduct of such Participant arising from its activities as a Participant or any suspected breach by it of these Rules. t2e will generally give advance notice of any intended investigation.

EE.1.2.11 In addition to investigations carried out under Rule EE.1.2.10 above, t2e may conduct periodic visits to Participants to satisfy itself that such persons are complying fully with the requirements of these Rules. In such circumstances the Participant shall allow t2e access to its premises and relevant records and shall co-operate fully in connection with any visit conducted under this Rule. t2e shall give the Participant advance notice of its visit.

EE.1.2.12 t2e may use the services of any appropriate regulatory organisation in any investigation undertaken by it under these Rules or otherwise.

EE.1.2.13 Where t2e believes that the activity of a Participant requires investigation it may request information from or consult with anybody which it considers appropriate to assist in any such investigation.

EE.1.2.14 Participants shall co-operate fully with t2e's market supervision department or other supervisory or regulatory body in any such investigation and shall take appropriate action in accordance with any direction issued by t2e or such supervisory or regulatory body following such investigation.

EE.1.2.15 t2e may pass any information which it obtains under an investigation under these Rules to the Agencies or to any Government agency responsible for the regulation of activity in the area of environmental compliance in the United Kingdom or to any overseas body having such responsibility in a jurisdiction connected with the Participant. t2e shall not disclose any information coming into its possession as a result of such investigation to any

other person without the express authorisation of the Participant in question, save as required by law.
EE.1.2.16 t2e may exclude any party from trading in Environmental Commodities on t2e or otherwise participating in t2e's Marketplace Service or place such other restrictions on the activities of the Participant as t2e considers necessary
(i) following any change in the circumstances of the Participant of any type described in this Rule EE.1.2 and EE.1.3; or
(ii) if t2e considers that any Participant lacks sufficient resources, financial or otherwise, to perform its obligations under contracts entered or to be entered into pursuant to these Rules.

EE.1.2.17 No delay by t2e in exercising or failure to exercise any right arising under or pursuant to these Rules by t2e shall be deemed to be a waiver of any such right (unless expressly stated so to be), nor shall such delay have any effect on the respective rights of Participants.

EE.1.2.18 In the event that t2e agrees to waive its rights arising under or pursuant to these Rules, that waiver shall relate to its particular subject matter and shall not be deemed to relate to any other provision or breach of these Rules, nor shall such a waiver have any effect on the rights and obligations of Participants in respect of a Market Transaction.

Rule EE.2.6 Market Confidentiality

EE.2.6.1 As between Participants, trading in Environmental Commodities carried out by way of t2e's trading facilities is conducted on an anonymous basis. Participants must not disclose details of any Market Transaction and in particular will not (save as required by these Rules or by law) disclose the identity of issuers or recipients of Environmental Commodities to any other person nor use any such information other than for the purposes of trading at t2e in accordance with the principles laid down in these Rules.

EE.2.6.2 When Orders and Market Transactions are organised by t2e (either through Market Officials or through the Website) all information regarding the identity of a Participant which is a Counterparty to such Market Transaction shall be treated as strictly confidential. Similarly the identity of the Participant which is behind an Order relating to an Environmental Commodity shall not be disclosed by t2e to any other Participants.
EE.2.6.3 Following Registration of an Instrument, t2e will continue to preserve the anonymity of the Buying Counterparty and the Selling Counterparty. To this end the respective settlement obligations of each Counterparty will be administered through t2e in the manner provided for in these Rules rather than being performed directly between the Buying Counterparty and the Selling Counterparty. This Rule shall not prevent t2e from disclosing any information concerning a Market Transaction or the identities of the Counterparties to a Market Transaction:

(i) to any of the parties specified in Rule EE.1.2.15;
(ii) to any party where such disclosure is required pursuant to a court order, judgement or equivalent or to any direction given by the Agencies;
(iii) to disclose the identity of a Registered Counterparty which has failed to perform its obligations in relation to a Market Transaction to the Counterparty; or
(iv) in circumstances where such disclosure is otherwise made pursuant to these Rules (including but not limited to the circumstances set out in Rule EE.2.3.5).

EE.2.6.4 A Representative shall, at the time it places an Order, confirm the identity of the Eligible Participant for whom the Representative acts in relation to the relevant Market Transactions (see also EE.1.5).

EE.2.6.5 This Rule shall not apply in respect of the Market in any Environmental Commodity to the extent specified in Part 3 of these Rules.

2.8 Competition law

The compliance fee will not result in a breach of competition law. In discussing the best compliance fee calculation methodologies, we considered whether potential competition issues may arise, but we do not foresee any legal issues.

The contract for the administrator services will be between the group of PCSs submitting this proposal and the appointed fee administrator. The contract will specify the requirement for confidentiality regarding any commercially sensitive information in order to ensure no breach of competition law. The fee administrator performance will be monitored through regular reporting and meetings.

The fee administrator will not be subject to FoI or EIR requests because t2e is not a public authority.

2.9 Contingency plans

In the event that further employees are required to complete the tasks t2e will initially look to providing them from within its current employees and if necessary contract in further employees.
For IT t2e would use a 3rd party who currently provides network, hardware and software support. This 3rd party contractor is also responsible for providing an alternate location and recovery in the event of a disaster to either the office or the hard or software.

In the event of bank failure, t2e already has in place agreements which ring fence funds in the event of bank failure and if there is an IT failure then the bank can and has in the past authorised both collections and payments.

3. Proposed methodology for the dispersal of funds

3.1 Administrative costs

All compliance fee funds received by PCSs using the fee will be distributed electronically through on-line banking after the deduction of the administration fees and VAT charged on those fees to the Distributor Take-back Scheme (DTS).

Administrative costs for the disbursement of the funds will be covered by the PCSs using the compliance fee.

3.2 Dispersal of funds

We propose that the dispersal of the compliance fund funds raised through the compliance fee will be carried out through the existing DTS project fund to suitable local authorities' project applications. This fund is already operational, proven and is well thought of by LAs.

3.3 Low up take and minimal levels of funds being collected

In the event that insufficient or no compliance fees are received, the balance of any administration and set-up costs will be paid by the PCSs supporting this proposal.

3.4 Governance

There would be no conflict with Valpak also being the DTS operator because Valpak has no role in assessing or determining the selected projects, this being undertaken nationally by BIS. Criteria for project bids will be determined by BIS and communicated directly by them to Local Authorities. Also the total compliance fee fund would be paid into the DTS from the fee administrator in a single payment so Valpak would receive no information on which producer PCSs had or had not paid a compliance fee.

The fee administrator will collect fees and pay the total balance, less the agreed administration fee, to the DTS project fund. The fee administrator will provide BIS with a schedule of the total compliance fee fund collected and paid out once the transfers have been completed so that BIS can make enquiries as it feels appropriate.

3.5 DTS fund

The group of PCS submitting this proposal understands that BIS is keen to merge the compliance fee fund with the Distributor Take-back Scheme (DTS) fund for easier administration and visibility for Waste Collection Authorities (WCAs) and Waste Disposal Authorities (WDAs).
We support a merge of the existing DTS fund with the compliance fee fund will have several benefits:

- Greater visibility for the compliance fee fund
- Simplify the process for application from WCAs and WDAs
- The DTS fund is already operational (Phase 3 was launched in 2015)
- WCAs and WDAs are already very familiar with the DTS and the application process
- Easy and fast solution to implement
- Savings on administrative cost as it would not require the launch of another fund
- Experience and probity of the DTS fund administrator, Valpak

We propose to use the application form[3] and the proposal submission process[4] issued for the 2015compliance fee / DTS fund.

3.6 Approval of application

This will be done through the normal and established operation of the DTS project fund whereby projects are selected and approved by BIS. The DTS would notify BIS of the total project fund available. BIS would then launch and publicise the project fund to WCAs and WDAs then select the successful bids according to their selection criteria. BIS would then provide a schedule of approved projects to the DTS for payment. Once projects are completed BIS would ask successful bidders for confirmation of the project completion and outcome.

Applications will be considered from WCAs and WDAs. The funding is not available to support collection of WEEE from businesses.

3.7 Validation of the fund usage

Validation of the fund usage will take place to show that this requirement is met by any application. The process agreed with the DTS judging panel will ensure that the available compliance fee fund for projects is allocated and distributed to projects that meet the criteria set out in the BIS guidance.

We propose that all applications are assessed by a judging panel made up of representatives from the following organisations: WRAP, British Retail Consortium (BRC), the local authority community and the fee operator t2e. The panel should be chaired by the BIS.

WCAs and WDAs that are awarded funds will be required to provide a written report of how the funds have been spent, against their intended use, within three months of the project being completed.
The DTS judging panel will carry out a review of the report, including contacting the organisations to validate the expenditure against intended use. The compliance fee fund administrator will confirm to the judging panel and BIS the outcomes of its reviews of the projects and any concerns it may have.

3.8 Residual money in the compliance fee fund

In the exceptional event that after the independent judging panel has awarded funding there is residual money remaining in the compliance fee fund, the fee fund administrator will advise BIS of the amount of fund unallocated. The fee fund administrator will liaise with BIS and the judging panel regarding how the residual money is to be used. One option may be to offer a second round of applications from WCAs and WDAs as long as the projects put forward contribute to higher levels of collection, recycling and legitimate re-use of WEEE or cover other initiatives designed to assist the UK to meet its obligations under the WEEE Directive.

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[3] WEEE Improvement Projects Application Form
http://dts.valpak.co.uk/Content/Documents/WEEE%20Improvement%20Projects%20Application%20Form.pdf

[4] WEEE Improvement Projects Guidance Notes for Local Authorities
http://dts.valpak.co.uk/Content/Documents/WEEE%20Improvement%20Projects%20Guidance%20Notes.pdf

3.9 Suitability of the proposed operator

Since its inception in 2007 Valpak WEEE Retail Services has operated the UK's WEEE Distributor Take-back Scheme (DTS) on behalf of BIS. In December 2012 the company was awarded the contract for Phase 3 of the scheme which is for a four year period to 31 December 2016.

Valpak has been providing simple, innovative environmental solutions to over 4,000 customers since 1997 when the first piece of producer responsibility legislation, the Packaging Waste Regulations, was introduced in the UK.

3.10 Summary of the process and timeline

The proposed timeline for the compliance fee fund dispersal is as follows.

Date	Action
30 April 2015	BIS announces the total value of the compliance fee fund arising from the compliance period 2015
31 July 2016	Deadline for Waste Collection Authorities (WCAs) and Waste Disposal Authorities (WDAs) to apply for the compliance fee fund. This will allow sufficient time for them to make applications and also allow time for raising awareness of the availability of the fund.
31 October 2016	Deadline for organisations that received funds to provide a report to the DTS judging panel showing how the approved funds have been spent in relation to the intended use.
31 December 2016	Deadline for compliance fee fund to be spent. All approved funds to be drawn down by the organisations and paid by the DTS fund.
31 January 2017	The DTS judging panel will have carried out a validation process of reviewing the reports submitted by organisations.
28 February 2017	All projects to be completed, with funds spent on the projects proposed in the application and approved by the DTS judging panel

4. Proposed timetable for implementation and operation

4.1 Proposed timetable

The proposed timeline for the implementation and operation of the compliance fee is as follows.

Date	Action
30 September 2015	Compliance fee methodology submitted to BIS
31 December 2015	End of compliance year
Mid February 2016	BIS selects a fee methodology. Fee administrator sends the data collection form to PCS wishing to use the compliance fee applications from PCSs to use the fee. ***Note: If no applications are received by the deadline then further work on the compliance fee is stopped to avoid unnecessary expense and no fee will be available.***
29 February	Deadline for PCSs to submit their cost data to the fee administrator and confirm they wish to use the fee
1 - 15 March 2016	Fee administrator verifies the robustness of data submitted by PCSs Fee administrator calculates base fees and escalators according to the approved methodology.
15 March 2016	Fee administrator informs PCSs of their total compliance fee for each stream and tonnage they have applied for, and invoices accordingly.
15 - 31 March 2016	PCSs pay relevant compliance fee to the fee administrator. Fee administrator receives fees and provides confirmation of payment and issue compliance fee payment certificate to PCSs
31 March 2016	PCSs submit Declaration of Compliance to Environment Agencies accompanied by confirmation of compliance fee payment.
April 2016	Fee administrator pays total fee, less administration fees, to the DTS fund
April 2016 onwards	BIS make DTS project fund, including compliance fee, available to bids from WCAs and WDAs.
31 July 2016	Deadline for WCAs and WDAs to apply for compliance fee fund
31 December 2016	Deadline for compliance fee fund to be spent.

By the end of April 2015, the fee administrator will notify BIS of the value of the compliance fee fund collected from PCSs and confirm with BIS the amount to be made available to WCAs and WDAs.
The fee administrator will notify the WCAs and WDAs of the total available funds and detail the process for submission of application. Applicants will need to demonstrate how funds will be used to support higher levels of collection, recycling and legitimate re-use of WEEE or other initiatives designed to assist the UK to meet its obligations under the WEEE Directive.

4.2 2014 compliance fee timetable

The proposed timetable of the 2014 compliance fee administrator Mazars was not met. The available funds were not announced by BIS and the fee administrator by the end of April. Also, to the knowledge of the group of PCSs submitting this proposal, local authorities were not aware of the existence of the fee and they did not receive an application form to apply for the compliance fee fund.

4.3 Capacity of the administrator

4.3.1 t2e

t2e has 8 employees 3 of which are employed on the PRN market, one in IT development and 2 in settlements and general administration. One of the PRN team will be deployed full time to this task throughout the period 16 February to 31 March otherwise these tasks will be allocated according to expertise concurrently with their normal daily tasks.

4.3.2 Valpak DTS

Valpak WEEE Retail Services has operated the UK's WEEE Distributor Take-back Scheme (DTS) on behalf of BIS since the start of the Regulations in 2007 so its capacity to run the DTS is well recognised. In December 2012 the company was awarded the contract for Phase 3 of the scheme which is for a four year period to 31 December 2016.

4.4 Developing and implementing IT systems

We do not believe that elaborate IT systems are necessary for this methodology. The calculations are sufficiently straight forward to be done through normal spreadsheet type mechanisms with which the fee administrator, t2e, and all PCSs are familiar.
All information submitted by PCSs, calculations, documentation including for the avoidance of any doubt, invoices, remittance advices, compliance fee certificates issued to both PCSs and the Environment Agencies would be held securely for a minimum period of 5 years should it be required for audit or other purposes.

4.5 Contingency

4.5.1 t2e

In the event that further employees are required to complete the tasks t2e will initially look to providing them from within its current employees and if necessary contract in further employees.
For IT t2e would use a 3rd party who currently provides network, hardware and software support. This 3rd party contractor is also responsible for providing an alternate location and recovery in the event of a disaster to either the office or the hard or software.
In the event of bank failure, t2e already has in place agreements which ring fence funds in the event of bank failure and if there is an IT failure then the bank can and has in the past authorised both collections and payments.

5. Experience of proposer and proposed operator

5.1 Financial probity and working in a regulatory environment

t2e will administer the compliance fee process. t2e has provided the UK's marketplace for Packaging Recovery Notes since 1998. A marketplace provides transaction, settlement (payment), dispute resolution and information services. As explained earlier there is a considerable amount in common between the processes and administration of the compliance fee and settlements.
In 2014, 1,000,600 tonnes of PRNs were settled through t2e in a total of 1,695 transactions with a total value of £15,921,076.95 to a total of 96 sellers. 31% of participants have Direct Debit facilities. 97% of those transactions were complete within 3 days of the agreed Settlement Date as required within the rules of t2e.

t2e has been in operation for 17 years and relies on its financial probity and confidentiality to sustain its credibility with its 453 participants, some of whom run WEEE as well as PRN Compliance Schemes

5.2 Conflicts of interest

t2e does not identify any conflicts of interest between its operation of the PRN marketplace and its administration of the WEEE Compliance Fee. Although there are companies that operate in both fields they are two completely different systems and should any dispute arise in one it would be dealt with separately in the other.

t2e will operate a specific and independent bank account, which will be used to collect funds from PCSs using the fee. This account will be held separately and, as part of the strict confidentiality conditions regarding payment of PCS compliance fees, is not accessible for view by the PCSs supporting this proposal.

5.3 Experience in setting up data systems

5.3.1 PCs submitting this proposal

The PCSs represented by this proposal have extensive experience of data submissions both within the WEEE regime and other areas such as packaging.

5.3.2 t2e

t2e has considerable data processing capability and a sound track record in the industry.

Although it would be feasible to set up on an online submission procedure and is a facility available for those who wish to enter orders interactively onto the t2e marketplace, it is recommended that initially data is provided manually on spreadsheets and transferred by t2e until the effectiveness of the methodology is validated and the cost of establishing an on-line facility justified. The lack of ability to submit data on-line should not increase the time for PCSs solely for the compliance fee administrator and this has been factored into the time available, nor will create any burden for either BIS or the Agencies.

5.4 Experience of developing robust proposals for Government

5.4.1 t2e

While t2e has not been directly involved in developing proposals for Government, Angus Macpherson, its Managing Director, has been involved with the development of the PRN system since its inception in 1997 and has contributed to the development of other Producer Responsibility regimes including ELV (End of Life Vehicles), Batteries and WEEE as well as the ROC scheme and was a founder member of the Emissions Trading Group.

5.4.2 PCSs supporting this proposal

Appendix 1 details the experience and expertise of the PCSs submitting this proposal in developing robust proposals for the Government.

The PCSs submitting this proposal frequently work with trade bodies (e.g. ICER), regulators, government entities (BIS, Defra) and companies to consider issues in relation to producer responsibility regimes (WEEE, batteries, packaging) This experience is directly relevant to determining a methodology for the compliance fee.

The PCSs represented by this proposal have extensive experience of developing and submitting constructive and practical suggestions and proposals to Government and the Agencies on a range of subjects including, for example:

- Revised WEEE Regulations to meet the EU WEEE Directive recast
- Data reporting and amendment requirements
- Environment Agency EEE scope guidance
- Environment Agency PRSD
- BIS consultation on WEEE collection targets
- BIS consultation on a WEEE compliance fee methodology for the compliance year 2014

6. IT Systems

6.1 t2e management systems

t2e considers the information it holds as of the utmost importance and protects its information by developing, operating and maintaining information management systems.

6.2 Appropriate IT systems, including backup systems

t2e has developed and maintains its own bespoke databases to deliver marketplaces for PRNs, Recovered Paper and historically WEEE Recovery Notes. Notes (in 2014 it operated a reconciliation centre for WEEE evidence notes to facilitate PCS compliance).
It has the in-house capability to both develop new marketplaces and create appropriate software to administrate the compliance fee. Nevertheless at this stage it recommends that little development is needed on grounds of both cost and time availability and would propose to convert the system developed for its settlement process for its PRN marketplace to administer the finances of the compliance fee and a relatively unsophisticated spreadsheet to calculate then evidence and administration fees, VAT and the proposed escalator.

6.3 Appropriate IT support

In the event that further employees are required to complete the tasks t2e will initially look to providing them from within its current employees and if necessary contract in further employees.
t2e would use a 3rd party who currently provides network, hardware and software support. This 3rd party contractor is also responsible for providing an alternate location and recovery in the event of a disaster to either the office or the hard or software.

Appendices

Appendix 1	PCSs submitting this proposal
Appendix 2	Sources of information

Appendix 1 PCSs submitting this proposal

In this appendix, we provide some background about the PCSs submitting this proposal.

The group of PCSs submitting this proposal has a vast and unparalleled experience in producer responsibility regimes and in the WEEE industry.

PCSs submitting this proposal represent a wide range of profiles and producers members (producers-retailers, small, large, B2C and B2B obligation).

Advantage Waste Brokers and WE3 Compliance

WEEE Scheme profile

Advantage Waste Brokers Limited has operated a WEEE Compliance Scheme since the inception of the WEEE Regulations in 2007. Advantage Waste Brokers was purchased by Recycling Lives limited in 2010 and to compliment the group have recently acquired WE3 compliance.

Advantage Waste Brokers and WE3 have a variety of produces registered for the 2015 compliance year, these include a mix of large and small producers and includes producers registered for B2C, B2B and both obligations. The producers registered with both Advantage Waste brokers and WE3 range from blue chip organisations to owner operated companies.

Recycling Lives Limited are a waste management and recycling company. They are partnered with a social welfare charity, Recycling Lives (UK) Limited, that supports marginalised people.

The Recycling Lives group employs over 250 employees and has delivered preparation for employment training to over 500 people from various charitable organisations and government programs.

Local authority arrangements

Advantage Waste Brokers and WE3 Compliance Schemes currently has contracts in place with the following local authorities:

- Blackburn With Darwen Borough Council
- Blackpool Borough Council
- Darlington Council
- Derbyshire County Council
- Derby City Council
- Durham County Council
- Poole Council
- Warrington Council

Working with Government

Advantage Waste Brokers and WE3 Producer Compliance Schemes and its Regulatory affairs Department is an active contributor to government consultations, as well as participating in various reviews, requests for information and stakeholder discussions.
WEEE consultations and reviews to which Advantage Waste brokers and WE3 have participated include:

Consultation/Review	Year
WEEE Regulations	2006
WEEE protocols participant	2010
DCF Code of Practice review	2010
PAS 141 Consultation	2010
Producer Responsibility Review	2012+
Red Tape Challenge	2012
WEEE Regulations ○ Initial paper on transposing Directive ○ Call for evidence ○ Formal consultation response	2012 and 2013

WEEE Targets Consultation	2014
WEEE Compliance Fee Consultation	2014
WEEE Targets Consultation	2015
Multiple responses to EA requests for information and consultations	

Other activities include:

- Active member of WSF since it started, contributing to and leading on the preparation of position papers and responses to Government.
- Founding member of ICER.

Dataserv Group

WEEE Scheme profile

Dataserv group is a privately owned organisation, headquartered in the UK and working in partnership across Europe with businesses, public sector institutions and government agencies.
An established market leader in 'Asset Retirement' for a wide range of customers of every size across all major industries in Europe Dataserv Group now has over 100 software, hardware, resale and materials processing experts. Its client list includes most major manufacturers, blue chip organisations and government institutions.

Dataserv Group has become active participants in charity redeployment schemes across the world and prides itself on its ability to comply with European and local environmental legislation wherever it operates. Dataserv Group has been operating in the IT environment for 43 years and established a recycling division in 1989 and an asset recovery division in 1993.

Dataserv Compliance gained its initial approval as a UK WEEE Compliance scheme on 1st February 2007 and operates compliance schemes in Germany and Italy as well as asset recovery and recycling solutions worldwide.

The company centres its services in the following areas:-

- Compliance Services
- WEEE Recycling & Recovery
- Asset Recovery Services
- Take Back Services
- Data Wiping
- Managed Deployment Solutions

Andrew Hanratty is the UK Managing Director of Dataserv Recycling. He was a member of the UK WEEE Advisory Board, advising UK Government on the WEEE sector.

Working with Government

Dataserv is an active contributor to government consultations, as well as participating in various reviews, requests for information and stakeholder discussions.

WEEE consultations and reviews to which Dataserv has participated include, but are not limited to:

Consultation/Review	Year
WEEE Regulations	2006
WEEE protocols participant	2010
Code of Practice review	2010
PAS141 Consultation	2010
Producer Responsibility Review	2012+
Red Tape Challenge	2012
WEEE Regulations	2012 and 2013
○ WEEE Targets Consultation	2014
WEEE Compliance Fee Consultation	2014
WEEE Targets Consultation	2015

Other activities include:

- Active member of WSF since it started, contributing to and leading on the preparation of position papers and responses to Government
- Long-term active ICER member
- Direct liaison with BIS, particularly during the WEEE Recast and target and compliance fee setting periods

DHL WEEE Compliance

WEEE Scheme profile

DHL Envirosolutions has been operating a registered WEEE Compliance Scheme, DHL WEEE Compliance, since the inception of the WEEE Regulations.
DHL WEEE Compliance gained its initial approval as a WEEE Compliance scheme on 1st February 2007

DHL WEEE Compliance currently has 321 registered members for the 2015 compliance year. This includes a mix of large and small producers, and includes producers registered for B2C, B2B and both obligations.
Examples of some of the more prominent producers registered with DHL WEEE Compliance include; Canon, Epson, DSG Retail (Dixons Group), Garmin, Philips and Telephonica

DHL also runs a registered Packaging Compliance Scheme (DHL Packaging Compliance) which was approved in 2008, and a Battery compliance service, implemented at the start of the Battery regulations in 2009.
In support of Producer Compliance, DHL also offers a Data Calculation Service for packaging and WEEE producers. This service is the longest running of its kind and has been in place since 1998.

The DHL Envirosolutions business has 65 members of staff in total across the whole business unit, covering Producer Responsibility Compliance services, Waste Management and Operational services, Pan European and Global Compliance services and other Lead Environmental Partner and Consultancy services.
A number of members of staff within the Compliance and Operations areas of Envirosolutions have responsibilities for the activities of DHL's WEEE Compliance scheme.

Local authority arrangements

DHL currently has contracts in place with the following Local Authorities. (This information is correct as of 18th September 2015)

- Wolverhampton
- Sandwell
- Warwickshire
- Coventry
- Leicestershire
- BDR
- WRWA
- West London
- North London
- Surrey
- Gloucestershire
- Weston-Super-Mare

Working with Government

DHL is an active contributor to government consultations, as well as participating in various reviews, requests for information and stakeholder discussions.
WEEE consultations and reviews to which DHL has participated include, but are not limited to;

Consultation/Review	Year
WEEE Regulations	2006
WEEE protocols participant	2010
DCF Code of Practice review	2010
PAS141 Consultation	2010
IPR Consultation	2012
Producer Responsibility Review	2012+
Red Tape Challenge	2012
WEEE Regulations ○ Initial paper on transposing Directive ○ Call for evidence ○ Formal consultation response ○ Number of meetings with BIS in this period	2012 and 2013
WEEE Targets Consultation	2014
WEEE Compliance Fee Consultation	2014
WEEE Targets Consultation	2015
Multiple responses to EA requests for information and consultations	

Other activities include;

- Active member of WSF since it started, contributing to and leading on the preparation of position papers and responses to Government
- Long-term active ICER member
- Direct liaison with BIS, particularly during the WEEE Recast and target and compliance fee setting periods

Additional activities in Producer Responsibility

In addition to input into consultations and reviews relating to the WEEE regulations, DHL has participated in and responded to the following consultations in other areas of producer responsibility.

Consultation/Review	Year
Consultation on transposition of Battery Directive	2008
Packaging Strategy Consultation	2010
Packaging Targets Consultation	2011
EWC Consultation	2011
Coherence Review workshop	2012
Consultation on coherence paper	2013
Glass Target Consultation	2013 and 2014
Consultation on changes to battery and packaging regulations	2015
Direct input into the red tape challenge coherence workshops covering Producer responsibility regimes for WEEE, Packaging and Batteries	

Veolia WEEE Compliance

WEEE Scheme profile

Veolia operates a WEEE Compliance Scheme (Veolia ES WEEE Compliance Scheme (UK) Ltd) since the inception of the WEEE Regulations. Veolia WEEE Compliance received its approval as a WEEE Compliance scheme in February 2007 (WEE/GP3038PY/SCH).

The Veolia WEEE Compliance Scheme has 132 registered members for the 2015 compliance year. This includes a mix of large and small producers, and includes producers registered for B2C, B2B and both obligations. The producers registered with the WEEE Scheme include large and renowned companies such as Argos, Homebase, Apple, Boots and Intel.

Veolia also runs a Packaging Compliance Scheme (ProperPak Ltd) which is the third largest with over 300 members including Argos, Asda and Boots; and the largest battery Compliance Scheme (BatteryBack) with 65 members including Argos, Asda, Homebase, P&G, Tesco, John Lewis, Morrisons.

Veolia WEEE Compliance Scheme is part of the Veolia group, the global leader in optimised resource management. With over 179,000 employees worldwide, the Group designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. Through its three complementary business activities, Veolia helps to develop access to resources, preserve available resources, and helps to replenish them.

The Veolia WEEE Compliance Scheme has 6 employees.

Local authority arrangements

Veolia WEEE Compliance Scheme currently has contracts in place with the following 21 local authorities:

- Birmingham City Council
- Chorley Borough
- East Sussex County Council
- Essex City Council
- Greenwich Council
- London Borough of Bexley
- London Borough of Bromley
- London Borough of Southwark
- London Borough of Tower Hamlets
- Medway Council
- Merseyside Waste Recycling Authority
- Nottinghamshire County Council
- Sheffield City Council
- Shropshire Council
- South London Waste Partnership (as of 1st October 2015)
- Southend-on-Sea Borough Council
- Thurrock Council
- Walsall Council
- West Berkshire Council
- Westminster City Council
- Windsor & Maidenhead Royal Borough Council

Working with Government

Veolia via its 3 Producer Compliance Schemes and its Regulatory affairs Department is an active contributor to government consultations, as well as participating in various reviews, requests for information and stakeholder discussions.
WEEE consultations and reviews to which Veolia has participated include:

Consultation/Review	Year
WEEE Regulations	2006
WEEE protocols participant	2010
DCF Code of Practice review	2010
PAS 141 Consultation	2010
IPR Consultation	2012
Producer Responsibility Review	2012+
Red Tape Challenge	2012
WEEE Regulations ○ Initial paper on transposing Directive ○ Call for evidence ○ Formal consultation response	2012 and 2013
WEEE Targets Consultation	2014
WEEE Compliance Fee Consultation	2014
WEEE Targets Consultation	2015
Multiple responses to EA requests for information and consultations	

Other activities include:

- Active member of WSF since it started, contributing to and leading on the preparation of position papers and responses to Government
- Long-term active ICER member
- Direct liaison with BIS, particularly during UK collection targets and compliance fee setting periods
- Active member of the ESA (Environmental Services Association) WEEE group

Additional activities in Producer Responsibility

In addition to input into consultations and reviews relating to the WEEE regulations, Veolia has participated in and responded to the following consultations in other areas of producer responsibility.

Consultation/Review	Year
Consultation on transposition of Battery Directive	2008
Packaging Strategy Consultation	2010
Packaging Targets Consultation	2011
Coherence Review workshop	2012
Consultation on coherence paper	2013
Glass Target Consultation	2013 and 2014
Consultation on changes to battery and packaging regulations	2015
Direct input into the red tape challenge coherence workshops covering Producer responsibility regimes for WEEE, Packaging and Batteries	

Wastepack / Electrolink

WEEE Scheme profile

Utilising its experience of many years of waste management for many large national retailers, Wastelink formed the Wastepack Group in 1997. Wastepack was one of the first compliance schemes to be registered under newly introduced producer responsibility legislation called the Packaging Regulations. A scheme set up at the request of producers for producers, it quickly established itself as one of the largest schemes, with around 1000 businesses, representing a broad range of industries, including many household names.

Wastepack was the first real alternative voice on compliance. We believe that compliance should be cost effective, simple and able to achieve the environmental benefits for which it was intended.
In 2007, Wastepack used its knowledge of producer responsibility legislation to form Electrolink, a compliance scheme operating under the WEEE Regulations. Electrolink quickly recognised that the key to running a successful WEEE system in the UK relied on all stakeholders working in harmony together, ensuring that all parties were treated fairly and all working to towards a common goal of achieving the UK targets, whilst maintaining the highest environmental standards.

Local authority arrangements

Working in partnership with Local Authorities, Waste Management companies and treatment facilities, Electrolink quickly became one of the largest collectors of WEEE in the UK. Electrolink enabled producers to meet with their legal compliance obligations cost effectively, whilst ensuring that enough funds were generated to fully finance the cost of collecting, treating and recycling WEEE, without the need to place any financial burden onto Local Authorities and their constituents and thus encapsulating the true spirit of Producer Responsibility Regulation. As a scheme Electrolink has a membership of 215, including Starbucks, Yamaha, Coco-Cola, New Look , Avon, Virgin Water and The Enertainer and works with 5 local authorities.

Both Wastepack and Electrolink have championed many positive changes to both Packaging and WEEE Regulations, including a simpler fee structure and an allocation method for small businesses and ensuring a WEEE system which gave freedom of choice to Local Authorities and Waste Management companies allowing them to work with whoever they wished. We have responded on a number of consultatons including WEEE recast, collection targets, 2014 compliance fee methodology in respect of the WEEE Regulations.

Working with Government

Senior staff from both Wastepack and Electrolink have advised the Government on many aspects of Producer Responsibility Legislation; Lynne Cullis, Electrolink's Chief Operating Officer was a member of the WEEE Advisory Board (WAB) which advised BIS ministers on how best to implement the WEEE regulations, and likewise Paul Van Danzig, Wastepack's Business Development Director was a member of the Advisory Committee on Packaging (ACP) which advised Defra Ministers on all issues regarding the Packaging Waste regulations

Wastepack and Electrolink remain committed to ensuring that the UK is able to consistently deliver Producer Responsibility legislation that achieves all if its targets, in a simple and cost effective manor, whilst maintaining the highest possible environmental standards.
As a scheme Electrolink has a membership of 215, including Starbucks, Yamaha, Coco-Cola and work with 5 local authorities.

WeeeCare

WEEE Scheme profile

WeeeCare has been operating a registered compliance scheme since the WEEE regulations came into force in 2007. WeeeCare have 842 registered members, with a mix of B2B, B2C and small and large producers.
WeeeCare runs a packaging compliance Scheme and is part owner of BatteryBack.

WeeeCare is part of the WasteCare group, providing national collections of hazardous waste along with WEEE collections. Established since 1980 we employ in excess of 400 personnel and offer the following services:

- AssetCare: IT and secure data destruction and recovery.#
- CylinderCare: Repatriation of gas cylinders and fire extinguishers.
- EeeCare: Consumer electrical appliance reuse and recycling. We have 2 AATF facilities within the UK.
- HazCare: Collection, treatment and recovery of most types of hazardous and difficult waste.
- LabCare: Collection and treatment service for laboratory chemicals, consumable's and equipment.

Local authority arrangements

WeeeCare operate the current council contracts. (This information is correct as of 30th September 2015):

- Hampshire
- York
- Telford and Wrekin
- Bradford
- Wakefield

Working with Government

WeeeCare has participated in a number of consultations, and in some cases have been the first to implement new accreditations, WeeeCare were the first reuse business to implement PAS 141 in the UK.

Consultation/Review	Year
WEEE Regulations	2006
WEEE protocols participant	2010
DCF Code of Practice review	2010
PAS141 Consultation	2010
IPR Consultation	2012
Producer Responsibility Review	2012+
Red Tape Challenge	2012
WEEE Regulations	2012 and 2013
WEEE Targets Consultation	2014
WEEE Compliance Fee Consultation	2014
WEEE Targets Consultation	2015

Other activities include:

- Active member of WSF
- Consulted with industry via regional conferences held in 2013
- WeeeCare are participating in the PRSD project.

Appendix 2 Sources of information

The following documents were used to prepare this proposal

- European Parliament Directive 2012/19/EU on WEEE, July 2012
- The WEEE Regulations, December 2013
- BIS, WEEE Regulations, Government guidance notes, March 2014
- BIS, WEEE Compliance Fee methodology, evaluation of proposal, October 2014
- BIS, Guidance on submitting proposals for a WEEE compliance fee methodology, July 2015
- JTA, Proposal to the Department of Business Innovation and Skills Operation of a WEEE Compliance Fee for the 2014 Compliance Period, September 2014
- JTA, Proposal to the Department of Business Innovation and Skills Operation of a WEEE Compliance Fee for the 2014 Compliance Period Appendix 1, September 2014
- JTA, Proposal to the Department of Business Innovation and Skills Operation of a WEEE Compliance Fee for the 2014 Compliance Period Appendix 2 to 6, September 2014
- The Environment Exchange, Proposal for methodology for the calculation and administration of the compliance fee, September 2014
- Proposal for a WEEE Compliance Fee Developed by the compliance schemes operated by Dataserv, DHL, Transform, Valpak and Veolia, September 2014