
MEDIA ADVISORY

Industry Insight Backgrounder

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Contact: Chris Coghlin, President, Columbia Tech
508-753-2354

EU environmental regulations pose biggest risk to U.S. electrical and electronic equipment manufacturers since Y2K

Worcester, MA—Two major manufacturing regulations enacted by European Union countries will cause a major upheaval for U.S. electrical and electronic equipment manufacturers. The new laws are RoHS (Restriction on the Use of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment Directive), RoHS places the burden of eliminating certain hazardous materials, including lead, mercury and cadmium from electronic components squarely on the original equipment manufacturer, commonly referred to as an OEM. WEEE forces OEMs to absorb the costs of collecting, recycling and redesigning products for safe reuse or disposal.

Together, the EU regulations impose significant costs and risks on U.S. businesses. Financial analysts predict the cost of compliance could exceed expenses incurred during preparations for the Y2K computer crisis--in other words, billions of dollars. Worse, the cost of *non-compliance* is thought to be even greater due to fines and lawsuits. The impact remains to be seen.

Billions of “throw-away” electronic products force the environmental issue

While the cost and hassle of the laws are a business burden, ever-stricter environmental regulation comes as no surprise. According to the U.S. Environmental Protection Agency (EPA), only 11 percent of computers worldwide are recycled, compared to 28 percent of municipal waste. A Lehman Brothers study found that only five percent of cell phones are recycled, out of half-a-billion sold each year. Cell phone components contain lead, mercury, cadmium and other hazardous materials that may be banned or controlled by the regulations. The National Safety Council says that 40 percent of the lead found in American landfills comes from electronic waste.

The signs of a looming crisis have been known for the last decade, but the industries that produce billions of “throw-away” electronic products are just beginning to consider alternatives and solutions.

“Most manufacturers seem to be underestimating the impact of RoHS on their operations,” observes Chris Coghlin, President of Columbia Tech, a Worcester-based manufacturing services company focusing on the assembly of electronic products. “The fact is

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that no OEM is exempt from the likely RoHS impacts of component shortages, obsolescence, and higher prices. RoHS will have a far-reaching impact on suppliers, manufacturers, dealers, distributors and after-market service providers. But, the regulation makes it clear that OEMs must take full responsibility for the product compliance as well as mitigating the risks in their supply chain. It's not too late to act, but failing to act could result in significant harm to your business."

RoHS forces business-critical decisions

"We strongly advise OEMs to apply due-diligence and mobilize the resources necessary to comply, mitigate product risks and be prepared for the future," states Coghlin. "As a high-tech manufacturer, at Columbia Tech, we have studied the compliance challenge and we are implementing the necessary changes. It's a complicated challenge."

Columbia Tech and its sister company, DCI Engineering Services, are part of the Coghlin Companies, Inc., a group of businesses in the manufacturing, electronic and electrical services industry. Based on experience with their own RoHS compliance plan and their participation in the planning of programs for suppliers and sub-contractors, Columbia Tech and DCI are teaming up to offer RoHS consulting and compliance planning services throughout New England.

Chris Coghlin has a simple warning for OEMs with RoHS issues: "Get ready for the deluge," he warns. "You can count on receiving a barrage of part change notices from component manufacturers. Some suppliers will be creating new part numbers to identify their RoHS-compliant components. Others may identify the changeover with date codes or merely a label on boxes and bags containing parts. It's going to be quite a challenge to make the transition without chaos setting in."

Chaos is precisely what Coghlin says his RoHS compliance program will avoid. "Our program has been specifically designed for customers with low-to-medium volume, complex, system-level requirements. Our services take the conversion burden off of our customers, allowing them to focus on their business and not be distracted by the complications and worries of RoHS."

Confusion reigns, costs loom

Further complicating the RoHS challenge is the lack of a RoHS certification process. Worse, there is no standard format for compliance. Yet, EU members, say they are ready to enforce the new environmental laws aggressively. In the absence of clarity, compliance takes on even greater risks, especially for smaller OEMs.

"It comes down to due-diligence. Your only defense is putting a detail-oriented compliance process in place that ensures the traceability of your actions. And, since compliance is presently in the 'eyes of the regulators,' a proactive, demonstrable compliance plan is the best way to avoid trouble," notes Coghlin.

Given the fact that EU states can lock down and quarantine shipments for non-compliance with RoHS, and considering the business penalties for failure to deliver products, the RoHS stakes couldn't be higher.

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