

IBM understands the EPA's ENERGY STAR program's desire for increased visibility of the label for computers and monitors. However we believe this goal should be accomplished in a manner that minimizes cost to partners.

An issues that needs clarification is that stated in the following quote, " As you know, the new Agreement requires partners to clearly display the ENERGY STAR label in product literature, on top/front of the product itself, on product packaging, and on Web sites". This statement implies that companies must do all of the above for each product. If this is now the requirement and flexibility is no longer a choice, this should be stated upfront. Many of the labeling ideas outlined in your letters offer suggestions which overlap these. Clarification is needed.

IBM's position on the labeling requirements as it applies to the ENERGY STAR Partnership Agreement and Monitor MOU is that mandatory physical labeling on the product should not be required. Partners should be given several options to satisfy the labeling requirement in order to minimize costs. Specific concerns and suggestions are provided below.

#### Concerns:

IBM, and other companies, reserve the top, front location to display their company logo. IBM's design and business application promotes a clean, professional appearance, and does not support sticker placement on the product unit.

IBM supports a cost effective approach, which minimizes both materials, and labor costs (tracking). The costs associated with participation must provide a return on the investment in some form, for continued participation. The ENERGY STAR label has not shown to be the key purchasing driver for office equipment, so added cost requirements for participation will be scrutinized. Examples of companies pulling back due to cost issues can be seen with the TCO label, whose high costs are discouraging formal participation on some or all models. However, companies are still producing equipment meeting or exceeding criteria and self declaring in marketing and specification sheets provided to customers. When this latter scenario becomes the norm, the effectiveness of the label will be diminished.

There is a growing concern in Europe and the US regarding permanent stickers on plastic parts, which interferes with the recycling potential of these materials. Also, increased paper (flyers) and plastics (static cling stickers) are not in line with overall environmental theme to reduce, recycle, and reuse.

#### Suggestions:

Partners should have options for meeting the labeling requirement that have minimal cost impact. Web sites, product literature, and product packaging, provide mechanisms for displaying the label without the need for labeling, permanent or temporary, on the product itself. Modifying existing materials to include the label, may also provide a cost effective approach. With the 25% goal for ENERGY STAR market penetration, tracking

per model will also require cost through upkeep of all appropriate literature, websites, etc. Companies strive for generic methods for packaging and product literature guides to reduce materials and costs. Any requirement for special packaging and specific literature updates for maintaining only qualifying ENERGY STAR products will add costs which are not insignificant.

Suggested options:

Web site promotion of the label, both for educational materials and marketing, offers a cost effective approach, especially for those companies which already market directly on the Web. This approach requires continual update of websites, but has the advantage of responding to changes more readily.

Product literature already in use can be modified to include the label. Printed material can include the label and information. The trend towards a CD approach to minimize paper and cost, offers creative alternatives such as the use of a navigation bar or splash screen that can show increased attention to the label. Customization to differentiate ENERGY STAR qualifying models will be required.

Where monitors are sold with computers, software and boot-up approaches can also provide labeling attention.

Specific to monitors, modifications to the protective plastic bag already in use for some monitors can include the ENERGY STAR label. Similarly, the Mylar protective sheet sometimes used on TFT monitors can be modified to include the ENERGY STAR label. These offer cost-effective alternatives.

The use of a backplate, although not in constant view of customer, does offer the advantages of permanency, positioning near model/serial numbers for reference, can be tracked easily per specific model, and does not require additional materials. This cost effective alternative should not be eliminated as an option as indicated in your letter of May 24, 2002.

Although IBM does not advocate the use of stickers, temporary or permanent, this option should be available to those companies which choose to use them.

ENERGY STAR partners require cost-effective options. When costs do not justify the benefit, companies will reevaluate their commitment. Producing office equipment with energy efficiency improvements will continue, using the most cost effective method of communication. Both the ENERGY STAR labeling goal and partnership buy-in can be reached by having flexible options that can be achieved with a minimum cost impact. Companies sell, market, and promote their products differently, and by taking advantage of a flexible option approach using various media to convey the label, a win-win solution can be achieved.

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