

As EC recycling regulation becomes increasingly stringent, resellers that ignore disposal will see rivals picking up contracts from under their noses

by Tony Smith

Watch your waste line

Such is the pace of IT development that users are upgrading their systems more and more frequently. But it's no longer a simple process of changing hardware, updating software and choosing a reseller. While users' main concern is to incorporate the new, they are also having to decide how to dispose of the old – and they expect resellers to share the load.

The problem is twofold. First, there are environmental concerns about the quantity of computer kit that is dumped and the hazardous compounds it contains. Second, users have to ensure that their discarded PCs have been cleared of sensitive data.

Several high-profile cases have highlighted the dangers of ignoring this basic data protection rule.

Earlier this year, the owner of some PCs that had previously been the property of the National Health Service found that they still contained confidential patient records.

Failure to wipe the information was a breach of the Data Protection Act, although the Data Protection Registrar will only take action if the patients concerned lodge a formal complaint, which is unlikely. But had the records pertained to former employees, the case might have taken a different course.

As for environmental damage, research firm IDC predicts that more than 11 million computers will be discarded this year by US companies. The UK does not lag far behind. Following an investigation carried out with the Corporation of London, IT recycling

specialist Cybercycle reckons about 40 tonnes of unwanted computer equipment, mainly desktop PCs and monitors, are thrown out in the City of London every week. This massive quantity of redundant equipment is destined for landfill.

In the last budget, chancellor Gordon Brown raised the landfill tax from £7 to £10 a tonne, an increase of 43 per cent. And the extra tax is being passed on to the customer.

More rigorous legislation is on the way. Landfill tax is set to be raised further and the EC is considering what may and may not be dumped in landfill. Monitors, for example, contain cancer-causing substances such as the phosphor coating on which the image is displayed. This can be exposed when

the CRT is broken up. It is already illegal to dump CRTs in landfill in Germany and Sweden, where they must be incinerated to render them harmless. Both countries are putting pressure on the EC to extend their own laws throughout Europe. If they succeed, the cost will again be passed on to the company disposing of the kit.

The most common approach to PC disposal adopted by users so far has been simply to bury old systems in cupboards and warehouses, as much to allow upgrades to be installed within the write-down period of the previous installation as to avoid environmental and data protection problems.

'Many companies still have an old-fashioned depreciation policy,' says Anthony McVeigh, product

manager for leasing and financing at reseller Computacenter. 'They only write products off after three years. Yet some power users, such as City financial operations, are upgrading their systems every nine to 12 months.'

Jon Godfrey is commercial director of Welwyn Garden City

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RECYCLING



You wouldn't leave your old car sitting in the drive until it was worthless
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operation Technical Asset Management (TAM), which specialises in IT recycling, refurbishment and resale. Godfrey says: 'Businesses are just sticking their old PCs in warehouses. I know of one high street bank that has 55,000 square feet of unwanted kit it won't sell because it's still within the three-year depreciation period.'

But brushing the problem under the carpet is proving to be increasingly unrealistic. Sooner or later, the kit will have to be disposed of and the longer the delay, the more expensive the environmental penalties, in the form of pollution and landfill taxes.

More to the point, it's a waste of a potentially valuable resource. 'After buying a car, you wouldn't leave your old one sitting in the drive until it was worthless,' says Godfrey. 'So why do it with your old IT?'

Users are beginning to realise that they need to implement programmes to dispose of technology that is no longer of use to them and they are turning to the channel to provide the solution. Resellers that lack the expertise to add value in this way could soon find themselves sidelined in favour of those that can.

'We're getting a lot of requests in tenders that we take care of the

disposal of old equipment,' says McVeigh. 'More and more it's on the list of a user's demands.'

Godfrey agrees. 'I wouldn't say contracts have been lost solely because a reseller couldn't provide a disposal service,' he says. 'But it has been one of the factors that can swing a deal in favour of a particular dealer.'

TAM is increasingly providing its disposal service through resellers. It continues to work directly with a small number of companies, but most of its business is conducted via the channel. It is a harmonious relationship. For TAM, it is business that it might miss otherwise; for resellers, it means adding value without expanding into areas in which they have no interest.

TAM's service involves collecting equipment from the customer, determining each machine's specification and ensuring that it is in full working order. If a PC or a printer has a reasonable resale value, it is cleaned internally and externally and the hard disk is thoroughly wiped. The machine can then either be sold on or put back into the customer's IT infrastructure further down the user chain.

A British Airways subsidiary recently cascaded 3,500 units this

way, says Godfrey. Truly obsolete equipment is broken down and sold for spare parts or sent for recycling or disposal in as environmentally friendly a way as possible.

PCs that can be sold on end up with students and small businesses via local agents and with dealers who specialise in second-user systems. Others are sold abroad. One

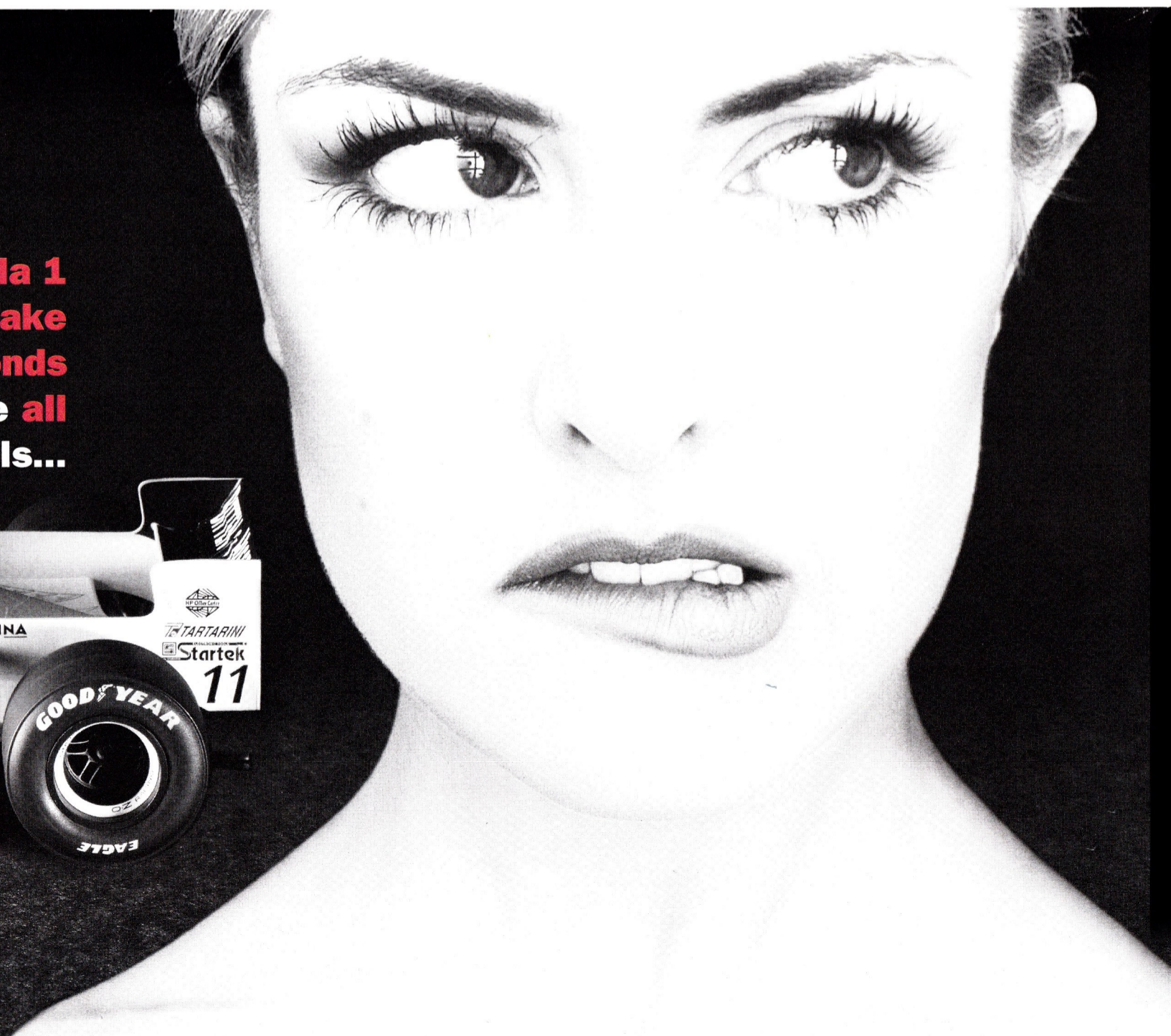
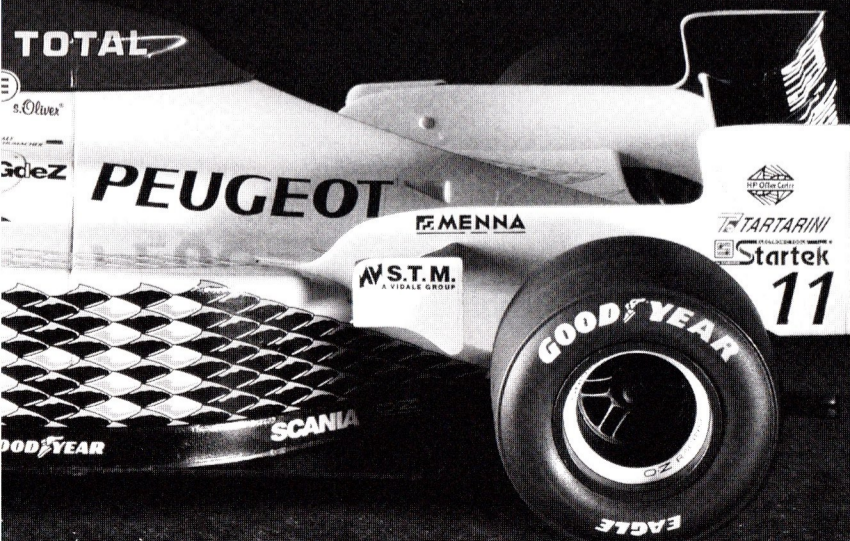
Brazilian company recently took possession of a container full of Micro Channel-based 486s, says Godfrey - Micro Channel was a big hit in Brazil so demand is high.

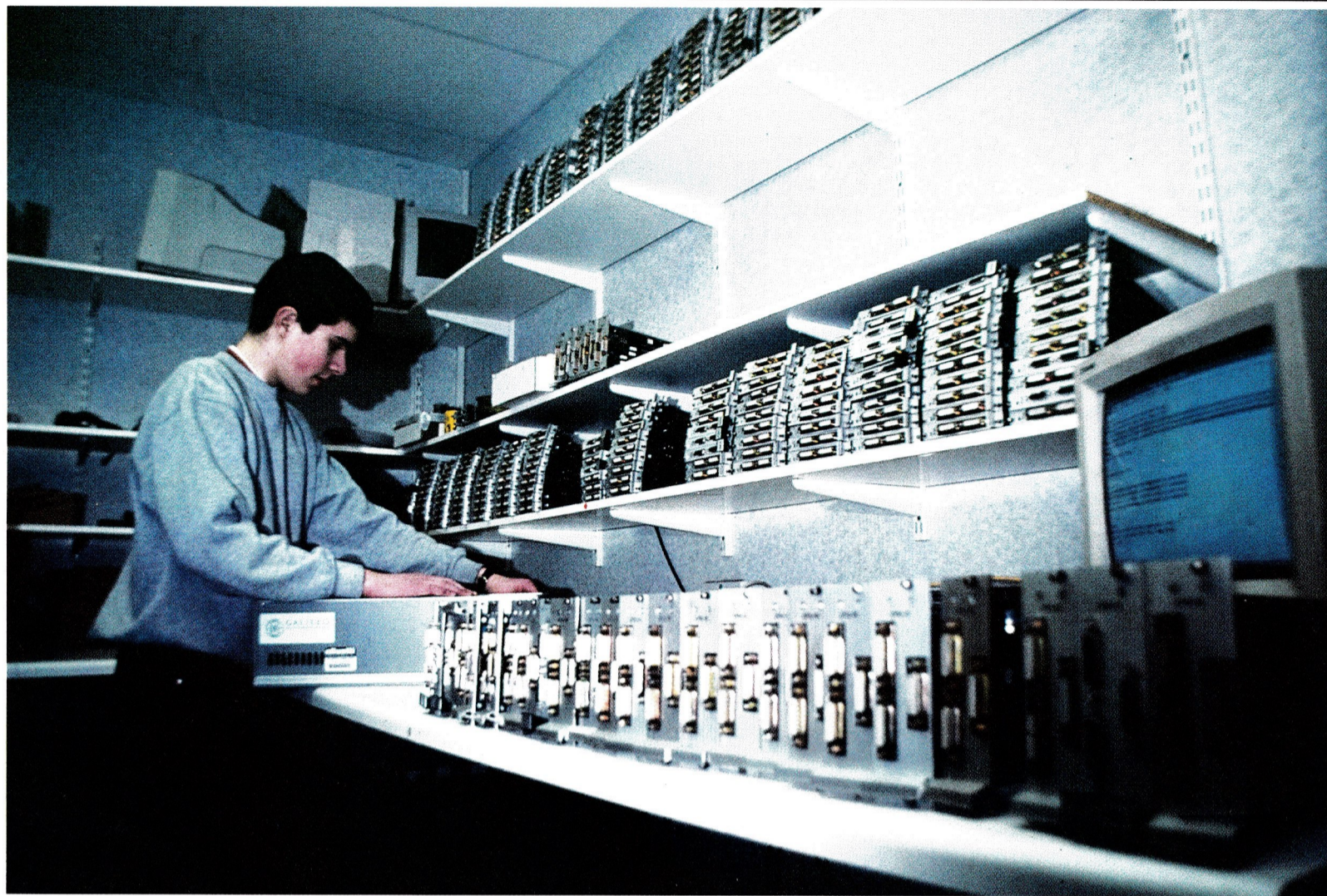
TAM keeps a percentage of whatever it makes from selling systems, parts or materials. The rest of the profit is returned to the original owner via the reseller TAM has



It's a jumble out there: the longer the delay, the more expensive the penalties

If a Formula 1 pit team can take under 10 seconds to change all 4 wheels...





Sorted: TAM is one of the disposal companies increasingly providing its service through the resellers

partnered with as part of the overall upgrade contract.

By putting the disposal process on a firm commercial footing and incorporating data security and environmental protection procedures, TAM marks itself out as one of a breed of disposal companies that is distinct from traditional second-user equipment brokers and non-profit organisations.

One of the busiest disposal companies is Luton-based Recycle-IT, which, according to director Alan Ross, has taken kit from the likes of Coopers & Lybrand, British Steel and Smithkline-Beecham and sold it at cost to many good causes. Recycle-IT can operate because many companies don't want to be bothered with the minutiae of computer disposal and frequently don't expect to make any money out of the process.

That's largely the product of the long write-down periods such firms have imposed upon themselves and the general lack of disposal services provided by resellers. But according to Jeremy Stirling, head of Lextrade, a disposal operation backed by printer specialist Lexmark, the main roll-outs prompted by the millennium bug and migrations toward different platforms, such as Windows NT and NCs, mean the disposal arena

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RECYCLING

is gearing up for an upheaval, and users are beginning to focus on the practical and financial aspects of the problem.

Other disposal organisations believe the desire to save, rather than make, money will always be the main driving force of their business. The savings gained by not having to pay to store obsolete equipment and deal with the environmental costs far outweigh the profit from selling on a 486 or low-spec Pentium. As Stirling points out: 'You can buy a new P200 box for £300 off the page.'

Unisys-backed ReconnIT handles disposals for government bodies, including the MOD. The main recipients of the equipment it

handles are schools and charities. A representative says: 'Even pennies count. They desperately need computer equipment but can't afford to pay much for it.'

He adds that these aren't buyers on which you can build a profit-making business. ReconnIT

makes money through volume rather than individual sales.

Clearly, then, resellers shouldn't approach disposal companies with the idea of a fast buck in mind. Still, the image of the cigar-smoking, gold chain-wearing broker is hard to dispel, and it's one that the

socially aware sector of the disposal business is well aware of. 'There are cowboys out there,' says Godfrey. 'That is why we need to guarantee data security to a high level and guarantee we will dispose of equipment in the most environmentally responsible way.'

It is also why companies such as TAM, Lextrade and ReconnIT are keen to work with the channel. And as customers realise they need to do more than pay lip service to the disposal of obsolete IT, the channel will have to become keener to work with the disposers. ■

It's lease in our time

Given the rapid rate at which many companies are upgrading their IT, with all the purchase, installation and disposal problems this involves, it could be time for that old reseller technique, leasing equipment, to make a big comeback.

That's certainly the view of Computacenter, which is making much of its Portfolio Plus leasing scheme. According to product manager Anthony McVeigh, it gives firms the confidence to upgrade their systems regularly. Because

they don't own the kit, there are none of the write-down issues associated with upgrading. Equally, there's no need to worry about disposal - that's handled by Computacenter's partner in the scheme, Lextrade.

If it ain't compliant, replace it

The millennium bug poses the biggest challenge the PC disposal business has had to face.

According to Lextrade boss Jeremy Stirling, within the next 18 months a huge number of organisations will simply replace their non-compliant systems - it is an easier option than attempting to fix every one of their machines and applications. However, this leaves disposal companies with the problem of what to do with unprecedented quantities of old, uncompliant hardware.

For TAM commercial director Jon Godfrey, the year 2000 is good news. 'It's a great opportunity,' he says. 'Many machines can be made compliant with a quick and easy BIOS upgrade. We can do that ourselves and sell the PC on as compliant.'

But Stirling sounds a warning note. 'It's a case of supply and demand,' he says. 'Right now, supply matches demand, but in 18 months' time, it will outstrip demand by a huge factor.'

For the resellers and their disposal partners obliged to deal with the kit, the amount of money made by sales of systems and parts may not match the cost of checking and ensuring that they're free of data and software.



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