ADISA

APRIL 2013 ISSUE 3

IT ASSET DISPOSAL • RISK MANAGEMENT • COMPLIANCE • IT SECURITY • DATA PROTECTION

FEATURE: Unlock the value in your IT Infrastructure

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Do you have "Skin in the Game" within IT asset disposal?

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Selecting an ITAD (IT Asset Disposal)

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- ✖ I Dont Care IT Disposal.com started out when there was an opportunity to make some money out of buying old I.T. Kit
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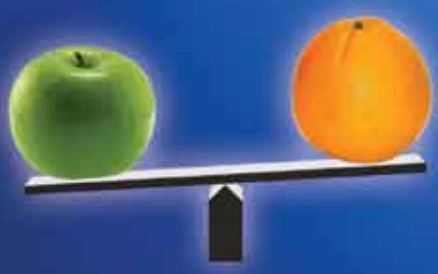
- ✖ But we have put together a flashy web site and offer Free collections. We can make some claims, but the number one aim is to sell as much pre-used IT Hardware as we possibly can



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Editorial

Technological innovation and changing user demands have seen business IT infrastructure change forever. Technology has become commoditised and a rise in mobility has led to hardware evolving from a fixed-point solution to being a multi-faceted, multi-platform environment. Technology now permeates business in a far more fluid way than ever before and the change in mindset has been significant. Whereas once infrastructure was a tightly-held commodity, the 'Cloud' and 'Bring your own device' movements are beginning to challenge the principles of hardware ownership.

These changes have happened at a pace which has surprised many of the technology sceptics, and whilst the challenges in embracing this change are there for all to see, there has been an even greater pace of change in the industry which operates in the less-glamorous area of IT Asset Disposal. From being a sector which has benefited (sometimes enormously) from end-user ignorance and indifference, it is now under significant financial pressure from end-users who, suffering themselves from constrained budgets, have become smarter in regard to understanding what value remains in their assets. The market model of charging for the service of Asset Disposal has moved with frightening pace to a market where end-users demand "free", "guaranteed cost neutral" or even "highest bidder wins the deal".

This commercial move has occurred in a sector which was already over populated with suppliers thanks to an influx of "me too" service providers who were encouraged by the ease of market entry and lack of regulation. This glut of new operators entered the market at a time of economic downturn and where equipment, which formerly flowed freely from estates, was now being retained for longer periods. So in an environment of increased competition for a decreasing volume of business the industry has seen a battlefield emerge where the key weapon is price. When we consider that the revenue streams from service fees or selling the commodity have both been eroded, then the question has to be asked as to how can this sector sustain itself?

The theme for April's magazine is "Cash" and carries the objective to explore this new landscape; to show where financial value remains in redundant infrastructure but also where cost is incurred to supply a professional service.

Our aim is to highlight that there is a cost to bear when delivering high quality professional services and that being forced to absorb that cost and cover it from revenues which are not guaranteed is not sustainable in every situation. This is causing very serious issues for the industry and should be a concern for the end-users. As data protection is now a 'C Level' agenda topic businesses need to understand that to force their supply chain who perform data santisation services to operate in this way without understanding the duress it is putting on the service being provided allows risk to enter the process which is clearly a security and compliance concern.

To compile this edition, ADISA has called on experts from various parts of the industry to write copy and provide insight. These are both from our own membership and from the market as a whole and their input has either been printed in full or has been edited together to make the overall article. Unlike this editorial which is entirely opinion based, the editorial team have tried to allow the facts to speak for themselves and for the reader to draw their own conclusions unbridled by any bias. Enjoy.

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Founders, ADISA

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CONTENTS

Where there's muck, there's brass!!!

Unlock the value in your IT infrastructure without risking your brand and reputation

There is a term in the antique trade called a "knocker", which is used to describe a door-to-door antique buyer who upon entry to the home looks around for anything worth buying. If he or she spots something good, they cover it up by buying it as part of a larger number of items (always at a low price).

This term could very well be levelled historically at many of those who operate within the IT Asset Disposal industry. When invited by businesses to "clear the room of my old rubbish IT", many have done very well by collecting hugely valuable equipment safe in the knowledge that the end-user really has no idea what they are releasing. This environment has changed over the past few years partly because the industry has matured, but mainly because end-users are wiser to approaches such as these. However, has it got to the point where they are unrealistic in their expectation?

This, our lead article, addresses the question of residual value in IT and Telecommunications equipment when retiring it from a business estate. Where does value actually exist and what factors can lead to an erosion of that value?

We would like to thank our guest writers: Tim Fellows from Tin Global, Rob Smith from SWEEEP and Phil Hibbit from Discount Licensing for their expert input into this article.

Within the sphere of IT and telecommunications hardware retirement there are a whole range of financial elements which come into play when considering when to retire or refresh a piece of equipment. Key considerations are: what residual value remains in the hardware, is there opportunity to recycle any software, could we redeploy or use as part of a vendor trade in? There are also cost saving implications to consider such as upgrading to newer, leaner technology or even by outsourcing to cloud.

Whilst performance is often a catalyst for refresh or retirement, this has quickly being rivaled by cost of replacement. As businesses begin to realise that the gap between performance improvements of new verses current equipment is not as great as it has historically been, they are holding onto their assets and saving the cost of replacement. This is leading to estates generally being much older than they were. A typical three year refresh policy is extending into four or five years for corporates and even longer for many public sector companies.

The knock effect of this in terms of IT Disposal is clear to see: a five year old machine has much more wear and tear and has less market value. And yet, end-users still feel that much of their heavily-used equipment has significant value.

So where does this value lie?

When looking at any piece of IT or Telecommunication equipment which is ready for collection, there are generally only three ways of generating revenue from it:

- **Route 1:** Resell it as a working item or sell its component parts
- **Route 2:** Software recycling
- **Route 3:** Recycling and sell the materials which make up the item

Our guest writers shed some light on these areas starting with residual value of hardware.

ROUTE 1: Understanding the second-hand broker market

By Tim Fellows of Tin Global

Tim Fellows

In recent years the IT broker channel, which specialises in the trade of refurbished equipment, has moved somewhat out of the shadows and into clear sight as an industry which is so much more than a buy and sell service. This industry has matured into a steadfast professional industry, providing competency around product procurement and supply as well as offering a host of add on services to help customer.

The perception of the broker market has changed and now it is seen to exist not to compete with manufacturers, distributors and channel resellers, but to offer an alternative source of equipment for users who wish to prolong legacy hardware estates or who have compressed budgets.

Given the current market conditions it would be logical to suggest that the market for second user equipment should be thriving as buyers seek more cost effective solutions for their hardware procurement. However, the global financial crisis has squeezed budgets across the board which has led to a decrease in the supply of equipment into the second user market and asset owners hold onto their hardware longer. Furthermore this equipment has generally been used for longer, which means it is of lower quality and showing more signs of wear and tear. The manufacturers have responded to decreased demand by offering larger discounts to secure business with equipment price reductions of 80% to 90% in some instances. To complete this scenario, competition has been fierce coupled with the emergence of some rogue traders offering counterfeit hardware and organisations placing low grade equipment onto the broker market eroding pricing levels.

This has led to an environment where fair market value is now very difficult to ascertain and now more so than ever pricing can be volatile. To give an example, the price in the market of a P4 has dropped 30% over a 12 month period which shows feast or famine if offering a guaranteed buy-back OR not offering the client the opportunity to receive greater return when the market is buoyant.

Clearly this pricing is based on a whole range of criteria and that is nothing new. The second user market has always been challenging to compare pricing because the grading (condition) of the equipment is variable but now there is a question as to how that equipment has been handled prior to resale. Whilst there are now more corporates openly buying from the broker market, they are bringing within them higher expectation of quality of equipment and the "pile then high, sell them cheap" mentality doesn't wash anymore. The corporate buyers are as much interested about the history of the equipment as they are the price which means the cost of preparing these goods to justify the higher pricing is more. At Tin we have over 20 engineers in our team testing, repairing and preparing our hardware for resale. This gives our customers confidence that when they buy from us they get good quality equipment for a sensible price.

A successful IT broker company today is one that has been able to transition from the classic broker style model (buy and sell) to one of a more all-encompassing trade house. These companies offer value added services such as project management, on site engineering, asset management, component harvesting, secure data erasure to approved standards, WEEE recycling and as well the more traditional resale and remarketing activity.

So when looking to ascertain the value of your equipment there are some easy rules to follow:

- What is the equipment? Make, Model, Specification.
- Is it functional?
- What is the condition?
- How old is it?

Finally, the key question to ask is; would I be happy to receive this item if I bought it myself?

If the answer to this is no then you must ask yourself, does this asset have any real value being sold as a product or as components?

About the Company
Tin are an international IT services company specialising in the purchase and supply of second user equipment.

www.tgservices.com

ROUTE 2: Software recycling: managing the disposal of an Intangible IT asset

By Noel Unwin and Phil Hibbit of Discount Licensing

Phil Hibbit

When you think about software recycling or resale, you might picture the disposal of a tangible boxed product (FPP) or Original Equipment Manufacturer's software (OEM). However, today we live in a digital age where businesses own intangible software licence contracts; perpetual software licence assets that are separate to the hardware but due to their complexity, can easily be mismanaged and then remain unrealised during their 'afterlife'.

Until 2004, the idea of separating the 'software' and the 'licence' had gone unnoticed by both private and public organisations as well as the software vendors themselves. A 'pre-owned' software industry has since emerged, which now includes a market for intangible software licence products. Would it surprise you to know that this market has in fact been in operation for nearly 10 years?

Does this sound too good to be true? Not so. If we take the example of intangible Microsoft products, we are referring to perpetual (not subscription) Open, Select and Enterprise volume Licence Agreements (LA), but equally, this applies to volume licence products from any software vendor such as SAP, Oracle etc. In the case of Microsoft, the 'pre-owned' volume software market takes advantage of the manufacturer's own licence transfer provision, whereby businesses can divest their disused software licence assets (as well as purchase software at discounted prices).

How does it work? If a company stops using its software, it can divest its 'perpetual' software licence assets to another company and obtain residual values ranging from £-thousands to £-millions – the value obviously dependent on the version (Office 2013/Server 2012 etc) and the number of licences available (10 to 10,000+). Note that this is only possible with 'perpetual' licences that by definition 'last forever' and whereby a sale of a software licence asset has occurred between the software vendor and the original customer. 'Subscription' software licences cannot be traded as a 'transfer of ownership' has not occurred.

Remember that there is often no physical product here (unless the media is downloadable). The software licence asset is initially created by Microsoft in the form of a set of unique serial numbers that will have been purchased by the original Microsoft customer. As a prelude to divesting software licence assets, businesses need to understand their current licence situation in terms of what has been purchased, against what is installed as well as what is being used. It should then be possible to establish whether that company is under or over-licensed and so this stage can normally be facilitated remotely without the necessity for site visits or Software Asset Management audits.

Is it Legal? Software vendors such as Microsoft have LAs that contain transfer provisions; however, local/regional governing laws also exist in the form of the EU Software Directive 2009/24/EC and a European Court of Justice ruling / precedent set in July 2012, which protects the secondary software markets from any prohibitive changes that software vendors may insert into its contracts.

Whilst it would be inconceivable for a motor company to print 'not for resale' on its cars, some software vendors have tried to dissuade clients away from the secondary software markets by putting contradictory clauses into its LAs. The software vendors will often make good use of any 'grey' characteristics of secondary technology markets and the spread of 'Fear, Uncertainty and Doubt' (FUD) is still the preferred weapon of choice by the software vendors.

However, in reality, the unique electronic licence numbers associated with volume software licences are manufactured by the software vendor and cannot be re-engineered, reproduced or counterfeit. Admittedly, with both 'new' and 'pre-owned' licence purchases, it is always plausible that a disgruntled employee with access to volume licence details could install elsewhere. There is no evidence that 'pre-owned' volume licences have ever been misused in this way although even the most innocent of businesses could have accidentally overused a Volume Licence Key (VLK) at one time or another when installing the software ('conventional/new' or 'pre-owned' licences). Fortunately, Microsoft's Volume Licensing Service Centre (VLSC) web portal does now count the number of VLK installs and so there is a certain degree of policing by Microsoft.

It is important to highlight that both the 'conventional/new' & 'pre-owned' software licensing models operate in a very similar way. For instance, the legal ownership of a software licence may travel through various intermediaries (resellers) before ending up on the desktop of a customer, but the

> Don't assume that just because you can't see something that it cannot be sold

software licence will be transferred directly from the original customer to the 'new' end customer (intermediaries do not install/use the software).

The key to safely disposing of this type of intangible IT asset is therefore always going to be 'transparency'. A credible business model of a secondary software intermediary should always be able to demonstrate legal ownership back to the original customer and also include a notification to the software vendor whenever the software asset is finally recycled to an end customer.

So how to unlock this potential revenue? The starting point has to be to identify what software installations you are disposing of. Most good IT Asset Disposal companies will be able to help you by providing a software installation audit which will list all of the licence keys of installed software on equipment processed. This can then be used to perform verification against the licence agreement held. At this point, assuming that the software has not been re-installed then there is opportunity for the sale to happen. The final piece is the evidence that the original copy of the software has been destroyed; again this is where your ITAD partner will be able to help via an overwriting report from their software used. This, in conjunction with the software installation audit is all you need to explore the opportunity of reselling your software.

The key factor is to engage with your ITAD partner as they have a crucial role to play in this and to engage with a professional company such as Discount Licensing to ensure you don't fall foul of some the complex nuances within this resale model.

Don't assume that just because you can't see something that it cannot be sold!

About the Company
Discount Licensing have been helping customers and channel partners understand how to maximize revenue from installed software since 2004. As the longest serving specialist in this sector Discount are expert at ensuring all licensing requirements are met without missing any revenue opportunity.

www.discount-licensing.com

ROUTE 3: Any old iron? Releasing the revenue from the material commodity stream

By Rob Smith of Sweeep Kuusakoski

The world of waste management has never been the most glamorous industry in the world but it has always performed an essential role in everyone's life. As society has evolved, our attitude to our wider environment has led to a significant change in mindset away from a simple consumption approach to one of sustainability. This mindset has been influenced largely by the waste management industry as it has sought to recover any material value from all elements of the waste stream. In the last decade biofuel and incinerators powering cities have emerged and in the world of manufacturing, material recovery processes are now extremely sophisticated as industry as a whole seeks to access already-mined raw material.

In electronics, developments in technology and manufacturing processes has meant that where there was once a high and easily recoverable value in the materials within electronic products, especially circuit boards, values are now more difficult to recover from smaller and more complex products. Just think about how the iPad has revolutionised how we interact with the internet. These are small, complex pieces of kit that require sophisticated recycling and treatment strategies to recover the precious raw materials, in smaller volumes than were present in PCs and laptops. Furthermore, these products often have low value or difficult to manage components built into them such as flat screens which require specialist treatment in their own right to potentially extract rare earth metals. For these and other reasons, material recovery from electronics is becoming a high tech sector in the developed world, where it not cost effective to deploy a large, lower paid workforce to dismantle these products by hand, especially in the lower value segment of the waste stream.

In the material commodity market, outputted streams from treatment facilities have a financial value but this value is impacted on by factors such as:

- Market price of material
- Global events and instability
- Large economy consumption of raw materials (supply and demand)
- Purity of the material stream
- Volume of material

In short, the market for commodities behaves in a similar way to the market for product. It is never flat and doesn't follow any easy-to-identify trends. In recent years there have also been a number of factors which have impacted on this market. The slowdown in manufacturing has generally made the

demand for raw materials decrease which obviously drops the price. Natural disasters in key manufacturing regions in Asia Pacific have also impacted on the supply chain into manufacturing which have also squeezed the price. The BRIC economies are a crucial influence over commodity pricing and much of the demand comes from these regions either directly as requirements for manufacturing or via demand for product. It can be seen that in order to price a commodity real time assessment of the market conditions needs to take place to ensure the best price is passed onto the customer.

A crucial part in material pricing is the cleanliness of the material itself. If the recycling process has been done poorly and the waste stream is contaminated it could either restrict the end market for the material or even make the material as a whole unviable. As such, in order to protect the value of the material the right processes have to be followed to separate the materials from each other and create a clean waste stream. Much of this can be done via hand dismantling, but for high volumes or for complex products, mechanical treatment, copper and precious metal refining, water tables and specialist furnaces are used.

Finally, material quantity is crucial as the commodity markets operate in vast tonnages to secure the best price. Small loads mean that the cost of handling and separating is significant which erodes margin.

In terms of the world of IT asset disposal it's perhaps best to put this into a simple scenario of recovering the value of material tied up in a PC.

A PC with a single hard drive can vary in weight considerably, so it is best to think about this product in terms of ratios of one output to another.

The commodity values in the table below are indicative and should not be used to place a definitive value on a PC base unit. However, they do give a good feel for where the value comes from, which is quite obviously from the circuit board.

Pre-2006

Stream	Ratio	Commodity Example value	Line Value	
CABLE	3.31%	£1,000.00	£33.10	
CIRCUIT BOARDS	12.40%	£4,500.00	£558.00	
FERROUS METAL	54.55%	£160.00	£87.28	
HDD	3.58%	£1,000.00	£35.80	
PLASTICS	4.41%	£160.00	£7.06	
PSU	11.85%	£350.00	£41.48	
LOW GRADE OUTPUT	9.92%	£50.00	£4.96	
			£767.67	pmt

Post 2006

Stream	Ratio	Commodity Example value	Line Value	
CABLE	3.31%	£1,000.00	£33.10	
CIRCUIT BOARDS	12.40%	£2,050.00	£254.20	
FERROUS METAL	54.55%	£160.00	£87.28	
HDD	3.58%	£1,000.00	£35.80	
PLASTICS	4.41%	£160.00	£7.06	
PSU	11.85%	£350.00	£41.48	
LOW GRADE OUTPUT	9.92%	£50.00	£4.96	
			£463.87	pmt

It is also important to understand that the circuit board value above is based on units that are manufactured pre 2006. For more modern units the table below gives a more accurate assessment of the value.

From this it might be argued that at any one time there could be a value of between £750 per tonne and £450 per tonne based on material value in a PC. BUT this is a very simplistic and clinical assessment of a process which is neither. Basic factors which have to be included are transportation, overheads, small shipment handling charges and insurances. This can, and does, erode the price for each type of material and therefore makes it extremely challenging to put a price per PC on the material recovery rates.

To conclude

Recovering material value from waste outputs from the ITAD sector is a complex and dynamic process impacted on by some key factors such as provenance, quantity, security, logistics and lastly world commodity prices

The limitation on the volume of material available from used IT equipment, and the number of hands it passes through before actually being refined, means that factoring residual value from the material is not so much a science but more of a black art. There are experts in the market with decades of experience who struggle in this area and as such, if a business end-user wishes to factor in the commodity material pricing into the potential residual value in their equipment then they need to understand the downstream supply chain to ensure that they know at what point the asset does actually get recycled. At that point any revenue left from the material can be realised. If this revenue is taken too high up the supply chain then too many variable factors are introduced for a company to be assured of value return.

About the Company

Sweeep Kuusakoski is one of the UK's leading dedicated WEEE processing facilities. Sweeep continue to lead the way and have recently installed the world's first leaded glass furnace that can extract lead from CRT glass.

www.sweeep.co.uk

Risk Management within IT Asset Disposal: The myth of zero risk at zero cost!

By Steven Coates, ICT Refurbishment

Steven Coates

The most contentious issue when it comes to IT disposal services is the pricing structure offered by the industry providing these services. In a vastly competitive market space which is perceived as offering a commoditised service the price point is extremely sensitive so an organisation that seeks companies who offer these services might be right in asking "why should I pay when I can get it free?" Before we attempt to answer this, it is helpful to understand the service being provided.

Disposing of IT equipment in a safe, secure and sustainable way is difficult with many risks that need to be carefully managed. A professional company offering IT Asset Decommissioning services (ITAD) will have invested in their own systems and processes. They would have recruited and trained a skilled workforce and they will have built a performance management framework and corporate culture to ensure the processes are followed and the company's value proposition is delivered. This requires significant investment on the part of the ITAD and, like any business, they are required to recover their cost of capital with enough additional returns to satisfy their investors.

We must accept that these things are not free and so let's return to the question of "why should I pay when I can get it free?" We need to adjust this question to "if I am not going to pay for the service then who is?" Proponents of the free service model will argue that there is enough value in the assets to recover the costs of these services. If you look at this business model more closely, what is happening is a transfer of risk. You are transferring the physical risk of asset disposal into a 'market risk' i.e. if the market can afford to pay then there is no problem and the costs are covered. But what happens if the market cannot afford to pay?

Can the market afford to pay?

To find the answer to this we need to understand two things about the market: firstly the volatility of the market, which means how often do the prices change in the market and how quickly they change; and secondly the liquidity or depth of the market, which means how many customers there are to buy your products. Once you understand these elements you can start to build your trading strategies. Then to ensure you are not putting your business or your shareholders at risk you need to measure your exposure to this system and ensure you have enough capital to cover your exposure. In the case of Market Risk, your exposure is expressed as your Market Value at Risk, or MVaR.

The final piece in this puzzle is to understand the value you are putting at risk in the first place. Is it the value of the IT Asset (£20-£40)? Or is it the value of the fine you will pay if this goes wrong? I would argue it is the latter.

By not paying for disposal services you are asking your disposal company to play this game on your behalf and if they lose the game it is you that will suffer. You will be the one paying the fine and cleaning up your damage to reputation. The recent, and many, cases of personal data ending up on eBay or equipment being illegally exported and

dumped proves that overall this game is not being played very well. Corners are being cut.

The other model is to recognise that as a cost of doing business you are responsible to provide resources to dispose of equipment and remove any risk to the company. ITADs that charge for their services will also be prepared to share with you the value that resides in the asset. Typically they will use their unique marketing channels to capture the highest value for you and pass that back less a marketing fee for marketing the equipment on your behalf. With this model you are sharing the market risk. When the markets move in your favour you will see the returns and share in the value. When they move against you, you have capped your potential losses and have provided the necessary resources to ensure your asset risk is mitigated.

Returning to the original question "why should I pay when I can get it free?" we can see that it isn't quite as straightforward as that. Yes, transactionally there are residual values that can be recovered here which can cover cost, but by demanding a "free" service the customer is placing a zero value on their own risk. The correct response would be to pay to cap your potential downside of £500,000 (or a higher value for brand erosion) at the unit cost of processing the asset, which is typically less than £10. So you pay £10 to protect yourself from losing £500,000, which is proposed to change next year to 2% of global turnover. This model brings control and risk management to bear in a transaction which is not a commodity. By removing the value from the service then the data controller is itself valuing its own data, brand and reputation at zero. All of a sudden a relatively low cost model (which has upside in many instances) looks a far more attractive and sustainable model for all.

Speaking from experience at ICTR, we are a new business and it is easier to win opportunities on price alone but if we offered a completely free service to our clients, we know we would not be able to cover our costs every time and as such we would soon be out of business. It is simply not possible to build operational excellence and offer risk management for free.

About the Author

Steven Coates is CEO and founder of ICT Refurbishment (ICTR) and was awarded 'Entrepreneur of the Year 2013' by iESE, local government's very own transformation social enterprise. Steven started as a strategy consultant working at Accenture and The Boston Consulting Group before moving to Gazprom Marketing & Trading to establish a new corporate strategy team and enable its ambitious growth plans. He left his corporate career behind to tackle the growing and complex issues of eWaste and digital exclusion in society. He founded ICTR with the mission to find the most responsible, the safest and the most sustainable way to dispose of IT assets.

ICTR Industry Dinners: Towards a Circular IT Economy

ICTR hosts quarterly Industry Dinners at one of London's top restaurants, Searcys at The Gherkin. The dinners are designed to bring together a cross section of senior IT professionals from across industry and the public sector and to raise awareness of the issues and risks associated with creating a sustainable approach to IT. They are an opportunity to create and open forum and dialogue with IT business leaders that are dealing with the serious challenges of developing a sustainable IT approach under the real world constraints of stretched resources and complexity of operations.

The dinner in January examined the unsustainable lifecycle of IT products and then raised the question "Is it possible to create a circular IT economy?" before moving onto the more difficult subjects of managing the risks, the legal exposures and the costs. We had a wonderful cross section of leaders all facing the same challenges but approaching the solution in different ways. We had Council Leaders, CEO's and CIOs of global corporations, Senior IT professionals from the NHS and from the public sector. Danny, our sommelier, matched each of the courses with a superb wine, which ensured a lively debate was had by all.

"Chefs Table at Searcys, The Gherkin."

Please contact Sarah, **sarah.boyce@ictrefurb.com**, if you would like to join the debate and be our guest at one of our Industry Dinners.

ICTR Responsible Refurbishment
From eWaste to eValue

OUR MISSION IS TO FIND THE MOST RESPONSIBLE, SUSTAINABLE & SAFE WAY TO DISPOSE OF IT ASSETS

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ADISA ACCREDITED MEMBER ICEX

One of ADISA's objectives it to work with other standards bodies around the world to try to harmonise industry approaches and to help end-users understand about other standards. In this month's "Voice from North America" we welcome John Lingelbach from R2 who talks about certification in the United States.

About R2: The R2 Standard is a voluntary industry standard covering environmental, health, safety and security matters for electronics recycling. It was developed through a collaborative multi-stakeholder process convened by USEPA.

The R2 (Responsible Recycling) Standard

By John Lingelbach, Executive Director, R2 Solutions

John Lingelbach

In March, an interesting study was released by the U.S. International Trade Commission which provides information about various trade issues to both the executive and legislative branches of the U.S. government. The study, conducted for the U.S. Trade Secretary, examined the export of used electronic products or UEPs.

Some interesting facts emerged. First, there is a huge demand for "tested and working" UEPs in the United States. Of the over $20 billion in UEP sales in 2011 by U.S. entities, 93 percent stayed in the U.S. ($15 billion of that as refurbished products). What's more, of the seven percent exported, about $1 billion was sold as tested and working refurbished computers and $439 million as recycled product (parts or raw commodities). Finally, half of the $1.5 billion in exported UEPs went to OECD countries. And only about 25 percent of UEP handlers in the U.S. directly engage in exporting.

No one questions that there are bad actors and bad practices in some parts of the electronics recycling industry. But this report highlights data that shows those bad actors are the exception in this growing industry. Of the huge and growing market for UEPs, only a tiny percentage of material is being sent to non-OECD countries – and much of this for good reason – the capacity to recycle CRT glass in the U.S. is virtually non-existent for example. What's more, the majority of exports to non-OECD countries are of tested and working products, for which there is strong demand in developing markets and which can help bridge digital divide issues. One key factor accountable for the "good" practices in recycling UEPs is the emergence of strong industry standards.

Certification to such standards, like the R2 (Responsible Recycling) Standard, by electronics recyclers has quickly developed as the best way for recyclers to implement practices that protect the environment and human health in this growing industry. R2 is robust in its requirements and well-managed by independent stakeholders. It specifically requires proof of legality to export non-working UEPs and requires the same level of due diligence of downstream vendors no matter where in the world they are located.

Joe Clayton from MRP Company (Metals Recycling and Processing) stated it this way: "Certification has a way of improving the entire industry. When weaker players come in the door, the process of becoming certified forces them to know their business better and make improvements. With increased demand for certification, we're seeing improvements throughout the industry. Furthermore, it helps create a community of responsible players that can work together."

Standards like R2 only work because of robust, independent, third-party audit requirements. A recycler cannot become R2-certified without significant effort and intense scrutiny by an independent body. This more than anything has helped recyclers develop responsible and well-managed UEP disposition supply chains.

One important thing makes R2 stand out, it's global in approach – certified recyclers can transcend geographic boundaries. The

electronics industry is global, electronic products are purchased and used globally, the demand for UEPs is global. Therefore the demand for responsible recycling is increasingly global. There is no reason any country, regardless of OECD status, cannot develop a robust and responsible electronics recycling industry utilising R2 as a basis.

Increasingly entities that own a great number of electronic products (such as the U.S. Federal Government and large public companies) are requiring recyclers to hold certification. This is quickly developing the market, as Lane Epperson of HiTech Assets reports:

"As the federal government and larger companies continue to require electronics recyclers to be certified, this will have an effect on the rest of the market. We're already seeing this – smaller and smaller customer organisations are enquiring about and are familiar with electronics recycling certifications. We expect it will become more of a market requirement to at least hold certification, if not do more."

All of this brings value to the potential customer of a certified-recycler. Customers are increasingly using certification requirements for recyclers as a means to make sure their materials are being handled properly. Reuse is considered first – it's the most efficient use of the raw materials that originally went into making the product. Security and strong data-destruction are requirements of R2, further protecting customers' intellectual property that may be stored on UEPs.

The opposite is true when customers use a non-certified recycler. There is no guarantee that materials won't be exported improperly, or that data won't continue to reside on those products. This becomes a direct brand-risk to the customer. When improperly disposed and branded UEPs are found by environmental NGOs or the media, the bulk of the blame and damage comes to rest with the company that first disposed of the product. What's more, various laws provide for additional potential damages – release of customer-identifiable data or privacy-protected health information can result in significant fines for the original owners of the UEP.

In short, the potential savings of using the recycling services of a non-certified recycler are vastly outweighed by the potential risks. As Lane Epperson put it: "We find most of our clients are primarily motivated to choose a high-quality recycler because of risk mitigation, and effective services, price isn't the only determining factor. That is, they first consider avoiding the damage to their business or image that would result from an environmental scandal or data breech caused by improper handling of their used electronics."

What's more, the cost equation of managing UEPs is not black and white. For entities retiring relatively new electronics, value recovery can help offset recycling fees. And, many OEMs now provide asset-recovery services and allow the "up-front" purchase of recycling services, allowing a company to build responsible recycling directly into the total cost of ownership.

There is a cost to recyclers of achieving certification – costs associated with hiring auditors, documenting practices, and more. But the cost is by no means insurmountable with smart management of the process, and recyclers are finding the ROI is almost immediate.

Joe Clayton captured it this way: "Becoming certified does have some cost, but it's quite manageable. And the ROI is almost immediate because the demand for recyclers and refurbishers that hold certification is on the rise. We've seen some companies see ROI in as little as two months."

And with the ever-increasing market demand for recyclers to hold certification, the cost of becoming certified becomes less of an issue. Lane Epperson reported: "The ROI of becoming certified is almost a moot point, our clients are requiring certification so we need it to stay in business."

These market forces have been reflected in R2's fast-increasing adoption since its launch. Today over 200 recyclers and 360 facilities hold R2 certification and that number has grown quickly – an 80 percent increase in the past year alone. While a good number of recyclers holding certification are in the Americas, the global reach of R2 is growing quickly. Today certified recyclers can be found in Australia, Canada, China, Costa Rica, Germany, Hong Kong, India, Malaysia,

Mexico, New Zealand, Singapore, the United Kingdom, and the United States. To help keep up, an increasing number of certification bodies are available to help recyclers certify to R2, many with global operations.

The R2 Standard is also continually evolving and a new version of the standard will be launched in coming months. The improvements seek to clarify the requirements and strengthen the standard. The revision process is managed by a broad group of stakeholders who solicit public input. Both the R2 Technical Advisory Committee and independent Board of Directors are both actively involved.

In short, the cost of certified recycling of UEPs is not a barrier to responsible management of those products. The cost/benefit calculation by UEP asset owners easily makes the case for using an R2 certified recycler and as we see, the costs associated with responsible recycling are easily managed. The ever increasing demand for certification by smaller and smaller asset owners will help keep those costs in control. And for the responsible electronics recycler, the cost of becoming certified is an easily manageable one, with an almost immediate ROI.

Spotlight on...

Evelyn Toma – Managing Director of Re-Tek

Evelyn Toma– Managing Director of Re-Tek

Re-Tek is an IT asset recovery and services business based in the UK with a sister company in the USA.

Re-Tek is a name which has seemingly sprung into prominence in the last 2-3 years. What's the background?

Actually Re-Tek was founded in 1996 and dealt predominately with surplus stock for many of the OEMs based in Scotland. As the manufacturing base moved away from Scotland we developed into an asset recovery business. From this start, which was about seven years ago, the business has developed to be about 80% asset recovery and 20% surplus stock management.

And you joined in November 2009 what was your background?

I came from a corporate background. The majority of my career before Re-Tek was spent working for Motorola where latterly I was European Business Manager for one of the semi-conductor businesses.

So why make the move from a corporate life into the challenging world of IT Asset Recovery?

I saw a market that was immature – and therefore full of opportunity. Although I was told there were many players – my assessment was that the market was evolving and there would be lots of potential for a strong professional services company that could combine excellent service delivery with a flexible, customer orientated approach. I was also at a point personally where I was looking for the sort of control over organisational performance and culture that the position with Re-Tek offered. Also, Re-Tek itself was a well managed, fiscally strong company that I believed was very well positioned to evolve with the market. .

What were your three main objectives when starting at Re-Tek?

My main objectives were:

- Create a business that was scalable and could grow quickly without any impact to service delivery. This involved creating a process and metrics driven environment
- Build a strong management team and create a positive, innovative culture that maximises staff contribution. This is just as necessary for growth as the processes
- Create a company that our customers would want to do business with over the long term. I wanted to combine the best elements of being an SME (our customer focus, flexibility) with corporate type processes and strong industry accreditations. I felt this would be a key differentiator for us in this sector

How far are you from achieving them?

I'm actually very happy because we have already achieved my original objectives with the recent 27001 certification being the final piece of the jigsaw. I now work on a totally new set of objectives which are perhaps more aspirational and more difficult to reach but will continue to keep Re-Tek ahead of the curve in this industry.

As someone who was new to this industry has there been anything which has surprised you?

I was surprised at the sheer number of companies who offer IT Disposal services and was actually warned off the industry by those who sat on the edge. However, my gut instinct was that this is an immature sector and companies who set themselves above the current requirements will exceed expectation and be sought after by their clients.

I have also been astounded at the lack of interest shown in this sector by the major blue chips. Having come from an environment where compliance was mandatory, I was amazed at how little due diligence was undertaken by corporates before placing business. We have trained our customers now and we regularly get audits (which we encourage) but it generally is as a result of inviting them.

What do you see as being the greatest challenges to building a sustainable IT Asset Recovery business?

The general apathy by the end users to view this as a professional industry and to make proper sourcing decisions is a constant problem. We don't mind losing business to other reputable companies, but it is very frustrating when an organisation makes a sourcing decision based purely on a quotation without any first hand assessment of service capability. We all know that Data Protection is a key legislative requirement for all business but seemingly control of data on redundant equipment falls out of this scope.

What would you like to see improved within the industry?

I think the industry needs to work closer together for our own mutual goals. Even some of the terminology needs to be standardised and better self-promotion will see us as a whole get taken more seriously. The ADISA advisory council meetings are a great forum for the industry to define and agree responses to key strategic challenges and I think this can be a powerful vehicle to try to help shape the future.

What do you do to get away from work?

I'm a keen runner and when not spending time with my family or pounding the streets I enjoy socialising with my friends.

To finish off, describe yourself in three words.

Energetic, tenacious, approachable.

About the feature:

This is an interview carried out by ADISA on individuals with expert understanding on IT Asset Disposal. To nominate someone please email magazine@adisa.org.uk

Disclaimer:

The comments here are those of the interviewee and do not represent the thoughts of ADISA, and ADISA does not endorse the comments.

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A crucial element within IT Asset Disposal is the act of sanitising the data. At a high level there is a physical destruction versus software debate and then within each of these, what type of physical destruction or what software to use. ADISA promotes the use of independently-validated software as part of an overall risk assessment and the use of such software comes at a cost. In this feature Joe Mount, VP of Sales & Marketing of Tabernus, discusses what that cost really is.

Skin in the game with data security

by Joe Mount, VP of Sales & Marketing, Tabernus

When it comes to data security, do you have 'skin in the game'? Absolutely. Having skin in the game means that you have an investment in the data security process and its outcome. Your ITAD's reputation and business is at stake and so is your customer's when it comes to properly managing data security in your service offering. The people you employ, the processes you choose, and the vendors you select are all evidence of your skin in the game with your business.

Your end customer and data controller have skin in the game too. They understand the high risks of getting IT Asset Disposition wrong. In 2010, Gartner presented at E-Scrap Conference in New Orleans, where the message was performing ITAD services properly is not a break even proposition. In other words, the true cost of doing ITAD services properly as per industry compliance standards could not be offset solely by giving away the hardware assets. Standards have improved and "proper, compliant ITAD is not cheap"[1].

Gartner was educating business leaders about the cost of ITAD and that the future thinking was to minimise the net ITAD cost versus eliminating it. Furthermore, ITAD expense should be taken into consideration as an "upfront expense" and included in the budget during IT acquisition process. In many cases, 14-17% of the cost of a new IT purchase should be budgeted to properly perform end of life asset disposition.

The same is true when ITADs select a data erasure solution or your hard drive erasing software. To do data security properly to keep up with certification may no longer be a no cost proposition. There are a variety of data erasure software solutions in the market place to help you meet your process goals. However, there is sourcing decisions based on price alone allow uncontrolled risk into the ITAD process. Also, such no cost solutions don't offer more benefit as far as service and process efficiencies.

Freeware

There are many free to download products which claim to erase data but some of these are an unknown quality. In any market there are products that command a premium and then there are freeware or shareware products. Freeware has its place. For one, it gives consumers and others an option to clear their computer of information when there is no other financial option.

Freeware often gets written once and works well for that moment in time. But, technology evolves, and evolves quickly and the freeware solution may still work; however, now it works for for fewer and fewer computer types. Think about improvements and changes in RAID and hard drives, like SATA, SAS, and solid state. Well, freeware may not keep up with these advances. And why should it, as there is no financial obligation or recourse if freeware does not deliver.

When you compete in market for customer business, you have to provide a competitive solution now, and in the future. Competition makes products better and delivers more features over time or companies go under. Freeware does not participate in this landscape. They have limited 'skin' in the outcome of the product. For instance, the liability of a freeware solution that says it erases all areas of the drive, but doesn't is nil. However, a product vested in covering your interests will be vigilant to keep it working in a certified fashion all the time and back the product with product liability insurance to the tune of millions of dollars of coverage.

Certification

What does a PASS certificate mean? Does it mean that the hard drive is completely

Joe Mount, VP of Sales & Marketing, Tabernus

> If you have an interest in ensuring your data erasure software works then you have "Skin in the Game"

erased or sort of erased, and according to whom, exactly? Well, as much as one may consider ourselves an expert in any area, the due diligent action is to seek out the strongest third party expert that one can find to test out the solution. For folks in the data security business, the holy grail of third party expertise is a government authority, like CESG authority.

When we refer to certified, the reference is not to a self-certified claim or a claim by a company that was paid to tell others it works. With a certified solution from a government body, there is certainty the solution is being tested with rigor. And with rigor, there is no rubber stamp process. There is significant R&D time and financial investment to gain a certification. This is where your software vendor is doubling down and putting 'skin in the game' that underpins your data security process.

So, what is the cost of the certification? It varies depending on if you are doing a government-specific certification or common-criteria certification. The total cost to a company can range between $200K to upwards of $500k inclusive of all the direct and indirect costs. And, this is just for the initial certification. Certifications are not static and become less meaningful over time. As, technology changes and the software evolves to keep pace with technology and the marketplace, a recertification is necessary. While not as costly as the initial certification, there is significant investment to maintain a certification standard in the solution.

Operational costs

Well, is freeware free? Most of us would say that something is free if you do not pay for it. IT asset disposal services are performed in various ways. Some outfits are automated in their process and others perform hands-on manual processes to accomplish their process goals. With freeware, usually the software product is fixed and the ITAD process works around the software. This is where freeware operationally costs the ITAD a 'hidden' cost to use it.

The best case that I can describe is the organisation that paid nothing for software, but are compensating the limitations of the software by paying staff wages to manually collect and enter computer asset information, manually move records on and off systems, and consolidate log files. All this manual activity or 'exception' activity by employees adds up cost-wise again and again. Other data software erasure solutions may have a cost associated, but they have service efficiencies that automatically perform labor saving functions. And here is the added double benefit. If you can get software to collect information instead of your team, then you can minimise a lot of potential human error in your process. One business owner put it to me this way: "I am either paying for someone to manually collect the information or I am paying for it to be done with software. The software is just more consistent."

When considering a solution versus a freeware solution, then you need to examine the value of the solution. Yes, you are paying for software, but you are getting this value in return that is measured in tangible savings and intangible benefits, like the following:

- Data Erasure Certified by Government body or equivalent
- Productivity Improvements. Ex, Records and Asset collection and consolidation
- Ongoing Product Development that keeps up with technology changes
- Product Support and Expertise
- Product Liability

The value proposition for freeware is straight forward too. When you pay little-to-nothing for something, then you consequently can expect nothing in return as far as performance. So, the 'skin in the game' is really for a data erasure solution that provides a vested and financial interest in you and your customer's outcome.

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About the Author

Joe Mount, VP of Sales & Marketing, Tabernus

Joe Mount is Vice President responsible for sales and marketing leadership for Tabernus. Since joining Tabernus in 2004, Joe has been instrumental in securing major customer relationships, developing the E-series hardware product offerings, and scaling delivery of Enterprise Erase® software brand to global clientele. Prior to joining Tabernus, Joe held various leadership and engineering positions at Dell Inc, Applied Materials, and U.S. Army. Joe holds a B.S. in Mechanical Engineering degree from Georgia Institute of Technology.

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For many companies, the last time they worry about their old IT equipment is when the doors on the collection vehicle shuts and it pulls away. So what happens to it? Where does it go? What constitutes an "IT asset disposal service"?

This article explores some of the processes which are performed on retired IT assets and where costs are incurred by those companies undertaking the service. The objective of this article is to help end-users see that if the equipment is low grade, incomplete or not working then they must ask themselves how can they demand a free service from their suppliers who incur costs to perform the process required of them.

The hidden costs within IT Asset Disposal

By Steve Mellings, ADISA

The act of IT Asset Disposal is a very practical operation and as such there are some clear areas where costs cannot be avoided, such as collection and storage. There are, however, many areas where a company performing these processes incurs costs which may not be understood by their clients as they view each collection in isolation which may not present the whole picture.

So what constitutes an IT Disposal company and which processes are applied to equipment within the service?

Fixed costs – core business infrastructure

Every business has core infrastructure which is required in order to conduct business, and for IT disposal companies this is actually significant. They require both warehousing and office space and due to the nature of the business, the warehouse space needs to be flexible to allow for volume processing as well as the post process storage. In my experience I have seen IT disposal companies who have five and 50 staff, but they all have something in common: a storage unit of significant size. A perfect illustration of the challenge of space is that a new entrant to the market has already outgrown his 10,000 sq. ft. facility in only three months!

If data sanitisation processes are being undertaken then these premises need to be secured so security countermeasures such as CCTV and additional physical barriers such as exterior fencing, ram bars, or internal cages are required. Without these the site offers a less secure environment than the one from which the equipment was released so this would clearly constitute identified security vulnerability.

There are also some essential permits required should the company wish to collect, process and/or sell waste. As a minimum the organisation should hold a T11[3] and S2 permits from the Environment Agency. Furthermore a Waste Carriers Licence allows them to recover WEEE when their customers have designated that their IT equipment is to be discarded. For treating WEEE they would need to hold an appropriate Waste Management Licence such as being registered as an Approved Authorised Treatment Facility (AATF). With many of these they would also need to have personnel holding recognised professional qualifications such as WAMITAB.

There are also some less obvious costs incurred such as business insurance, GPS subscription, and fleet and goods in transit insurance which are seemingly insignificant costs but together add to the pressure on margin.

The greatest cost (and their best asset) is staffing. Many businesses operate carefully managed staffing levels but again due to the somewhat feast or famine nature of this industry it is difficult to manage the optimum staffing levels. Furthermore the type of staff required varies from drivers through to technicians and into support functions like finance and admin. In addition to the cost of recruitment itself each new staff member requires training and security vetting before being allowed contact with data carrying equipment.

A final cost of business to consider is that of sales and marketing activities. In a very competitive market space organisations are realising that unless these activities then they will get left behind. Digital marketing (such as pay-per-click) is expensive due to the generic nature of the service and therefore the search terms. Furthermore, as this sector sits between IT Hardware, IT Security and Waste it is difficult for companies to target trade shows or magazines for some of the standard brand building exercises which tends to lead to a scattergun approach.

Variable costs – transactional

Clearly when business is undertaken there are a range of costs which an IT asset disposal incurs. Perhaps the greatest cost is that of the collection itself. Vehicles can either be purchased, leased, rented or a third party can be used. These have different upfront costs and on-going costs with some being more difficult to bear than others. Diesel has increased by 45% since January 2009 from 100 pence per litre (ppl) to 145ppl [2] and that coupled with a significant rise in the minimum wage of 7% (a straw poll showed that most companies pay significantly more than the minimum wage) during the same period shows that collection costs have increased significantly in just three years.

Another cost incurred is that of packaging with low cost consumable packaging often the preferred approach but many operators now utilise security cages or crates whilst others have had bespoke packaging designed such that products are protected during the transportation process. This is particularly important for items such as TFTs which are a non-regular shape and can easily be damaged during transit.

Finally, the software used to perform a CESG certified overwrite on magnetic hard drives also has to be paid for. There is cheaper free to download software but many of these are untested and therefore it is uncertain whether they are a viable tool for securely sanitising the data. For physical destruction, there are also costs to bear, for those shredding hard drives not only does the equipment require significant capital outlay but the on-going maintenance costs are very high indeed. Even smaller portable destruction products cost a lot of money to procure.

Non-essential costs – aspirational

Many companies within this sector are beginning to build proper processes into their business and the logical progression is to move towards ISO certification with the dominant ones being; ISO 9001:2008 Quality management systems, ISO 14001 Environmental management systems and ISO 27001 Information security management system. Each of these can have very significant costs associated with them both for initial implementation and then on-going retention of them.

Furthermore, certification programmes such as our own(!), CESG schemes, NAID, R2 and e-Stewards all cost money. There are also additional services which can be offered such as software harvesting which increases processing time and software costs.

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[1] *Source: www.gov.uk/national-minimum-wage-rates*

[2] *Source: www.whatgas.com*

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Conclusion

This article was not meant to be a scientific assessment of costs incurred for an IT asset disposal company and it is acknowledged that many costs have been missed. What it was designed to do was to provoke thought about all those transactions which take place without the end-user having sight of them and what goes into them.

In the current climate where end-users are more frequently demanding free services based on perceived value within the equipment, the real question they should ask themselves is: "Am I prepared to gamble with my reputation when I don't know for sure that my partner can cover their costs from every transaction?" Surely when we are talking about data which is such a vital commodity then a model of shared risk and shared reward is more palatable to those in risk management. By dealing with partners who don't need to gamble on the quality of unknown equipment because their costs are covered by the charge being levied then each party has their core requirements met. For the end user, data protection. For the partner, to cover their costs. After this point they have a vested interest in generating the best return from the equipment sold because each party will share in the revenue. Shared risk, Shared reward. I think that sounds like a sustainable and secure relationship.

Article three (of five) in the intelligent asset disposal series. This feature argues the need for a five step risk assessment methodology to be applied when determining and implementing secure disposition of redundant data-bearing IT assets.

The need for threat profiling

By John Sutton, ADISA

Summary of the series to date

This, the third article in the intelligent asset disposal series, examines the risk analysis process as applied to the disposal of data bearing items (assets), which underpin a rational, updated and implemented Asset Disposal Policy (which in turn forms part of the organisation's wider information assurance security policy).

Previously, it was argued that before any information assurance process is implemented, there must a thorough understanding of the nature of an organisation's sensitive data and the effects on the organisation should that data become compromised. These were respectively quantified by data categorisation and the use of business impact tables.

This article discusses the final component part of a risk analysis – the threats facing any asset disposal process.

An essential part of any Information Assurance (IA) risk assessment process is a thorough understanding of the threats presented to the data being protected. In the context of this article threat is defined in terms of the potential compromise of a data bearing medium that has entered an end-of-life disposal process.

Threat and its components

Threat Source – this can be any organisation or individual that can benefit from the compromise if IT assets in the disposal chain. For example, this includes organised crime, journalists, business competitors etc.

Threat Actor – this can be any individual who actually carries out the compromise and can range from the opportunist insider (and employee or third-party) of the releasing organisation, to dedicated and sophisticated attackers who are hired by threat sources.

For example, it is the experience of this author that organisations who stockpile IT assets due to concerns and uncertainties on how to properly dispose of retired assets may create an internal threat of insider theft of long-term stored assets.

Threat Level – all ITC systems have inherent vulnerabilities that may be exploited by one or more threats. The degree of these threats can be quantified in terms of a Threat Level, which is value that is attributed to the combination of a threat actor/source's capability, motivation and priorities. These are the components of a technical threat.

Capability – this is the component of threat and a characteristic of a threat actor or threat source. It defines a level, which indicates the types and technical sophistication of the threat.

Motivation – is a measure of how much a threat actor desires to attack and compromise an asset or group of assets.

Priority – is a measure of how much a threat sources desires a compromise of an asset or group of assets.

Assessing Capability levels

The following Level 1-5 descriptions look at two environments for launching 'attacks' to recover sanitised data – the keyboard attack, in which data recovery tools are utilised via the operating system (OS), and the laboratory attack which utilises specialist tools and does not necessarily require the asset (e.g. hard disk drive) to be functioning.

Level 1 (Very Low) – Only able to mount low level keyboard attack with freeware, OS tools, COTS products or simple 'plug-and-play' devices and removable media, with very limited time to mount an attack to recover data from a sanitised hard disk drive.

Level 2 (Low) – Able to mount any level of keyboard attack and limited laboratory attacks, having access to wide inventory of spare parts, with limited time to recover data from failed hard disk and solid-state drives.

Level 3 (Medium) – Able to mount any level of keyboard attack and a range of laboratory attacks using in-house software tools and a range of laboratory attacks, with a reasonable amount of time to recover sanitised data from magnetic and solid-state media.

Level 4 (High) – Able to mount any level of keyboard attack and a wide range of laboratory attacks, but may have some limitation on resources (e.g. available time) to recover sanitised data from magnetic and solid-state media.

Level 5 (Very High) – Able to mount sophisticated laboratory attacks using advanced techniques with unlimited time, resources and man-power to reconstitute the sanitised data from working or non-working disk drives, disk platter fragments and solid state media.

Assessing Priority and Motivation

When assessing a threat actor/source reasons for wanting to recover data it is important that consideration is given to whether an attack is purely random or is deliberately targeted.

Level 5 (Very High) – Priority aim to recover sanitised data; known hostile major foreign intelligence service

Level 4 (High) – Persistent and frequent attempts to recover sanitised data; most foreign intelligence services; major criminal organisations

Level 3 (Medium) – Frequent attempts to recover sanitised data; minor terrorist organisations and organised crime (where the data is of particular interest).

Level 2 (Low) – Occasional and fortuitous attempts to recover sanitised data; single issue political pressure groups, amateur hackers, investigative journalists and academics, commercial rivals

Level 1 (Very Low) – Unlikely to attempt to recover sanitised data; business partner organisations; other organisations (reputational damage if it became public they were attempting to recover sanitised data).

Having determined the Capability and Priority levels they are then mapped together and tabulated as shown below. In this example, the descriptions of the different threat levels (negligible, low, moderate, substantial, severe and critical) are taken from the UK government general threat definitions. However, any description or numerical rating may be used as appropriate to an individual organisation.

The final parts of the Risk Analysis process is actually determining the actual risk levels and also deploying methodologies to mitigate this risks that are acceptable to the data owner organisation and also the IT Asset Disposal Company.

These will feature in the next edition of the ADISA magazine.

Priority Levels	Capability Levels				
	Very Low	**Low**	**Medium**	**High**	**Very High**
Very Low	Negligible	Negligible	Low	Low	Moderate
Low	Negligible	Negligible	Low	Moderate	Substantial
Medium	Negligible	Low	Moderate	Substantial	Severe
High	Low	Low	Moderate	Severe	Severe
Very High	Low	Moderate	Substantial	Severe	Critical

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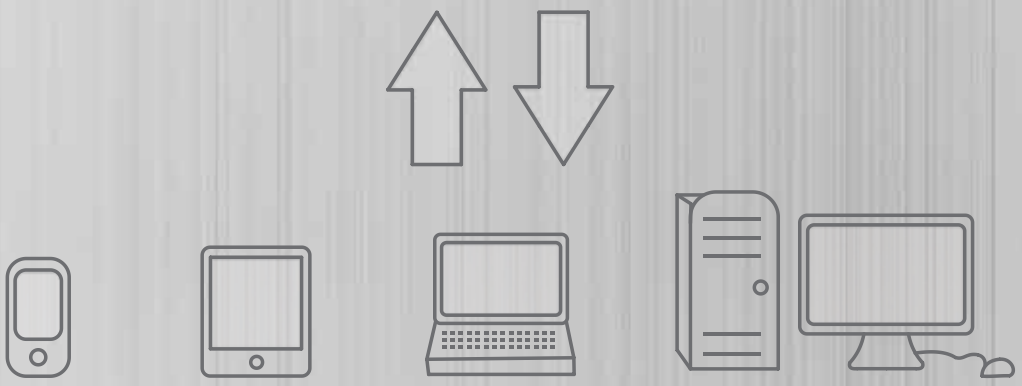

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CESG

Industry news

Restructure within the recycling division at Stone Group

At the beginning of 2013 Operations Director Gary Buxton added the recycling business to his overall remit at Stone Group. Previously a standalone division, the recycling service is now being integrated into the overall Stone end-user proposition which will further benefit their customer base by delivering a seamless cradle to grave product lifecycle service. Buxton says: "Myself and the team are committed to further enhancing Stone's sustainable approach and ensuring that the highest levels of information security are maintained".

Stone is the UK's largest independent PC manufacturer and are a fully-certified member of ADISA.

Hamilton Asset Management opens new facility

A new 13,000 sq ft warehouse may not get the average person excited, but for John Hankins and Amanda Drinkwater of Hamilton Asset Management it marks the end of a search which has taken a significant amount of time. Drinkwater takes up the story: "We've been searching off and on for a number of years now but it all happened rather quickly. In less than two months we signed the lease and moved our entire operation from Heathrow to Bracknell whilst remaining open for business." Hankins adds: "This location was a particular favourite of ours so we had an idea as to how we would lay it out but when you walk into an empty warehouse it's hard to envisage what it will look like when complete."

With a dedicated segregated area for asset recovery the warehouse gives the Hamilton group some flexible options to enable deployment projects to be run from the same location without compromising their secure asset recovery.

"It feels like a new business and with the extra throughput now we are able to offer our customers a significant improvement on the SLAs which are capable of hitting."

Hamiltons are having an open day to celebrate this. Contact Amanda Drinkwater for more information: **amanda.drinkwater@hamilton.co.uk**

EOL IT services helps out at failed ITAD

EOL IT Services came to the rescue of a fallen ITAD earlier this year as a North Lincolnshire "Free Collection Service" went to the wall. Having secured the assets within their warehouse, EOL collected a range of hard drives, PCs and Servers and in total proccessed around 3,000 data-bearing items using Blancco for data erasure.

ICEX introduce new on-site shredding service

Essex based ICEX have recently added a mobile hard drive shredding machine to their portfolio of services. This bespoke mobile unit means they can shred hard drives at a client's site and as it runs off a domestic 240v supply, smaller facilities without a 3-phase supply pose no problem for using this machine. It will also fit through a standard doorway, so restricted access is also not a problem. Sales Director Trevor Lenoir says: "This investment reflects a desire from our customers to have more options when choosing on the most appropriate data sanitation service. This device can shred magnetic and solid date drives and thanks to its portability offers greater flexibility for delivering desk side services".

Entrepreneur of the Year to Steve Coates at ICT Refurbishment

Congratulations go to Steven Coates CEO at ICT Refurbishment in Battersea. At the recent government "Improvement and Efficiency Awards 2013" he was awarded Entrepreneur of the Year for his "Creating a Circular IT Economy" idea. This is his vision for a sustainable IT value chain that breaks out of the current, unsustainable, linear economy of build, buy and discard; taking a much more circular approach. The awarding committee is the government's own transformation social enterprise iESE and culminated at a formal dinner and ceremony on 6th March held at Church House, Westminster."

PAS 141: The UK's Reuse Standard formally launched

RDC hosted a flagship event in February when the much awaited PAS141 Reuse Standard was formally launched. This Standard has been developed over time with the Department for Business Innovation and Skills and leading experts in the electronic re-use industry and signals a move from UK government to address the growing issue of unwelcome and unacceptable amount of used and waste electrical and electronic equipment (UEEE & WEEE) being illegally exported.

Standing up in the face of adversity

eReco moves forward into a new phase after a difficult period – a note from Managing Director Jane Taylor.

"Words such as crisis management, business continuity and strategic planning, are ones that are usually only paid lip service to. However, it's only in times of crisis that you realise just how vital careful planning is. All three of these were put to the test by an incident in October 2011 which all business owners hope never to have to face.

"Thanks to the strong contingency plans which were in place, nearly 18 months have passed and eReco has forged ahead with positivity, dedication and determination. We are delighted to be in our new larger, highly secure premises from which to further grow our client base and our service offering. Rather than stand still, we have a plan to continue to invest in our future and have worked extensively towards our ADISA accreditation. We still offer a print consumable recycling service but the main thrust of the company has been, and always will be, IT services and recycling and we continue to innovate and add ancillary services to our portfolio this year.

"Whilst buildings can be replaced I know that my team cannot and I would like to take this opportunity to thank each and every one of them because without their unswerving dedication we wouldn't have maintained a business through adversity. For the long hours, positive attitude and belief in what we were trying to achieve I know my team is my greatest asset."

Voice from APAC

Michael Matthews at Verser Technology Lifecycles comments on the attitude to data security in the Australian market

We had a call recently from a US company we were partnering with for some local work and one of their first questions was: "What's your Data Security Liability coverage?". We've never been asked that by a local business but as it happens we have the appropriate Insurance and so we were able to reassure them we're a professional and conscientious business. I guess to an extent this illustrates the market in Australia as regards data destruction. There have always been some organisations or industries who take it seriously (e.g. defence), but the majority of the corporate market has largely adopted a "hear no evil, see no evil" approach to the matter.

That's starting to change and the value of the service – and the breadth of affected assets – is being recognised. It's always interesting to see the light bulb moment when a CIO realises that confidential company and client data might be leaking out to the market via poor lifecycle management practices. And the same illumination when they realise that it's not just PCs that create the risk. Smart phones, software directories on VOIP phone systems, MFDs and scanners to name a few – are all potential problem assets that our clients are starting to realise need attention. In the main, there is a willingness to recognise and pay for the value attached to the Service.

Once wiped, what happens to the equipment next is also in a state of evolution. Australian legislators have been slow to regulate the disposal and sale of IT assets. In the general market, business are being forced by weight of movement in environmental awareness and some legislation to make specific choices about their asset disposal strategy.

Locally, this industry is divided into two fairly distinct segments. First up is recycling where those businesses specialising in this service typically have little interest in getting value from the equipment for the client; they just want the commodity to trade. Inevitably as commodity prices drop, so does the amount they can realise on the asset, meaning recycling becomes a net cost to their clients which can have the effect of discouraging proper treatment of assets at the end of their useful life. Within the recycling marketplace, there are various levels of adherence to standards or regulatory controls given that legislation has significantly lagged behind the industry. Thankfully new regulations are starting to side-line the poor operators and supporting the people who are doing things the right way.

The other side of asset disposal is sale of the assets from the general market and from lessors, typically via the broker market which is similarly separated between the larger aggregators and the small business that may trade niche assets or simply lower volumes.

As Original Equipment Cost (OEC) has been falling, so has the eventual resale value which means to maintain total margin, lessors and brokers need far more assets or different ways of generating revenue from the same assets.

Brokers are increasingly being forced to look outside Australia for markets in which assets have held relative value as local appetite is diminished by cheap alternatives in computing. Adding to the margin squeeze, as market awareness of proper data and environmental concerns increases so does the desire of the companies disposing of assets to engage with partners who can ensure their assets are properly handled and disposed.

For lessors, realising Return On Investment is still a priority somewhat ameliorated by the lower OEC they paid in the first place. To prop up margins, lessors are turning to lifecycle managers to value add the leasing product with related services. Lessors are now engaging with providers who can add value to their clients' experience by way of extra services at end of lease such as provision of test data, data destruction and environmental certificates online.

> Top tier lifecycle management companies still deliver superior net returns to their clients due to scale, depth of market and the ability to drive efficiency

So to summarise, top tier lifecycle management companies who have the right resale channels and service infrastructure in place can still deliver superior net returns to their clients due to scale, depth of market and the ability to drive efficiency in the total logistics/test and data destruction services. However, with the challenges and pressures outlined previously we feel that the market for management of assets at the end of their useful life is changing rapidly with the focus moving away from a straight financial return model to now including a desire for higher quality value added services delivered by companies who offer their customers confidence that they are dealing with a company who is both professional and offers integrity.

Next issue – September 2013

Publication theme – Compliance

Feature 1: Data Protection requirements within IT Asset Disposal

- Scoping the problem
- Understanding the 7th principle
- ICO guidelines to meet compliance

Feature 2: The changing face of Data Protection

- Breach notification
- New maximum fines
- Changes to the data processor/data controller relationship

Feature 3: Understanding the Waste Framework Hierarchy

- What are your actual legal requirements for WEEE?
- Effectively managing your Waste
- Showing compliance

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- The continuation of the "Intelligent IT disposal" article
- An interview with a leading participant within the IT disposal marketplace
- Industry news and updates
- Voice from North America
- Voice from Asia

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