

**Collection and Reuse or Recycling of White Goods
and Scrap Metals in the City of Toronto -
Quotation No. 6033-99-01845**

(City Council on December 14, 15 and 16, 1999, amended this Clause by striking out the recommendation of the Works Committee and inserting in lieu thereof the following:

“It is recommended that the joint report dated November 29, 1999, from the Chief Financial Officer and Treasurer and the Commissioner of Works and Emergency Services, be adopted.”)

The Works Committee:

- (1) recommends the acceptance of a revised bid price submitted by the sole bidder, Merchandise Recovery Services Inc., with respect to Quotation No. 6033-99-01845 for the collection, reuse and recycling of used appliances (white goods) and scrap metals in the City of Toronto, and otherwise on the same terms and conditions as set out in the quotation request, such bid price to remain confidential until such time as approved by Council, given the request of Merchandise Recovery Services Inc. that, as sole bidder, it alone is prejudiced by disclosure of its price should Council decide to retender; and**
- (2) reports having forwarded the revised bid price to Members of Council under “confidential” cover.**

The Works Committee submits the following joint report (November 29, 1999) from the Chief Financial Officer and Treasurer and the Commissioner of Works and Emergency Services:

Purpose:

The purpose of this report is to respond to issues raised at the November 3, 1999 meeting of the Works Committee concerning the costs associated with the collection and marketing of white goods and scrap metals.

Financial Implications and Impact Statement:

Funding for the collection and marketing of white goods and scrap metal has been provided for in the 2000 Operating Budget submission under the Collection Sub-Program (SW270) at 1999 prices. Therefore, for budget setting purposes, it was assumed that the Community Council areas of Etobicoke, East York, Scarborough and York would continue to be serviced, under contract, at a cost to the City of \$5.00 per location. The costs per location to provide this service in 2000, using municipal forces in the Community Council areas of Toronto and North York, were also set at the 1999 rates of \$14.36 and \$12.45 respectively.

Recommendations:

It is recommended that:

- (1) authority be granted to cancel Quotation No. 6033-99-01845, for the collection, reuse and recycling of used appliances (white goods) and scrap metals in the City of Toronto;
- (2) authority be granted to issue a new quotation request for the collection of white goods and scrap metals in the City of Toronto;
- (3) authority be granted to issue a new quotation request for the extraction of CFC's from white goods and the marketing of white goods and scrap metals for the City of Toronto; and
- (4) staff report back to the Works Committee with a recommendation on a preferred alternative for the collection and marketing of white goods and scrap metals in the City of Toronto, based on the results of the quotation requests in Recommendations Nos. (2) and (3).

Background:

At its meeting held on November 3, 1999, the Works Committee had before it a report from the Commissioner of Works and Emergency Services dated October 29, 1999, headed "Collection and Reuse or Recycling of Old Large Appliances (White Goods) and Scrap Metals from Residential and Transfer and Disposal Locations in the City of Toronto."

The Works Committee:

- (1) deferred consideration of the aforementioned report until its next meeting, scheduled to be held on December 1, 1999, with a request that the Commissioner of Works and Emergency Services report on the costs associated with a completely City-run program compared to what can be provided by re-tendering the contract, such report to include all aspects of the collection, reuse and recycling of white goods, current costs by district/area for the last three years; and the promptness of the current response time for the collection of white goods; and
- (2) requested the Commissioner of Works and Emergency Services to continue extending the current contract for a period that is necessary for the Committee to further consider the report and the options for a re-tendering process.

Comments:

In the Community Council areas (CCA) of Toronto and North York, municipal staff currently perform the collection of white goods and scrap metal. North York CCA delivers all white goods and scrap metals, regardless of whether or not they contain CFC's, to Stark Iron and Metal, and receives a revenue of \$30.00 per tonne. In the Toronto CCA, items that contain CFC's are delivered to Merchandise Recovery Services Incorporated (MRSI) and the City realizes a

revenue of \$15.00 per tonne. The remaining Toronto CCA white goods and scrap metals are delivered to Stark Iron and Metal and the City receives \$85 per tonne. MRSI is also responsible for the collection and reuse or recycling of white goods and scrap metals for the CCA of Scarborough, Etobicoke, York, and East York.

Typically, the City receives calls from residents requesting that their white goods or scrap metal be picked up. The details of the calls are recorded and the information is forwarded to MRSI or City staff who then arrange to collect the material the following week. MRSI operates a reclamation facility where the CFC's are extracted from unsalvageable items and reused in refurbished units, which are then sold domestically and abroad. Items that cannot be reused are sold to a local scrap metal dealer and MRSI receives the per tonne market price.

Initially, the former City of Etobicoke entered into an agreement with MRSI for the collection, reuse and recycling of all white goods and scrap metals from all residential locations at no cost to the municipality. The former Cities of York and Scarborough entered into similar agreements with MRSI shortly thereafter. In 1996, the three municipalities and the Borough of East York entered into separate collection service contracts with MRSI at a cost of \$5.00 per location.

MRSI receives \$5.00 per location regardless of whether or not the white good or scrap metal is actually picked-up on the scheduled collection day. This guaranteed price per location is intended to offset MRSI's costs to collect from locations where independent dealers may have scavenged the white goods and/or scrap metal prior to the scheduled collection days. In the CCA of Toronto and North York where collection is performed using municipal staff, scavenging prior to collection occurs, on average, 30 to 40 percent of the time.

The Etobicoke, York and East York collection contracts were scheduled to expire on August 31, 1999. The Scarborough collection contract was scheduled to expire on September 30, 1999.

On August 3, 1999, the Purchasing and Materials Management Division, Finance Department, issued a Quotation Request for the collection and reuse or recycling of white goods and scrap metals from all Toronto CCA's and all transfer and disposal facilities. The term of the contract was to be for three years with an option for a one or two-year extension, provided all terms and conditions were agreeable to the City and the Contractor. The closing date for bids was August 20, 1999. Given the relatively short period of time between the closing of the Quotation Request and the scheduled termination dates (August 31, 1999) for the Etobicoke, York and East York contracts, MRSI agreed to extend all of their white goods and scrap metals collection contracts with the City until December 1, 1999, so that the City would have sufficient time to evaluate the bids.

As stated in the October 29, 1999 report from the Commissioner of Works and Emergency Services, only one company, MRSI, submitted a bid price for the service. The price quoted was \$10.65 per location, which represented a 113 percent increase over the existing MRSI price per location. Furthermore, the \$10.65 per location bid does not take into account the percentage of locations where scavenging may occur and for which MRSI would be paid the guaranteed price even if the collection services were not actually performed. Table No. 1 (appended) contains a

summary of the costs to the City, broken down by CCA, for the past three years, including the projected costs associated with MRSI's recent bid price.

City staff advised MRSI that the bid price of \$10.65 per location was unacceptable and that the City was considering other collection options. We, therefore, recommend that authority be granted to cancel Quotation No. 6033-99-01845, for the collection, reuse and recycling of used appliances (white goods) and scrap metals in the City of Toronto.

Further to the direction of the Works Committee, the City has requested that the current contract with MRSI be extended, on a monthly basis, until such time as the Works Committee can decide on a preferred alternative.

At this time, we recommend that authority be granted to issue two new quotation requests, one for the collection of white goods and scrap metals, and one for CFC extraction from white goods and the marketing of white goods and scrap metals. Staff then propose to compare the contracted cost of collecting white goods and scrap metals, and/or the contracted cost of extracting CFC's and marketing white goods and scrap metals with the costs of performing both services using municipal staff and resources.

Conclusions:

Staff recommend that authority be granted to cancel Quotation No. 6033-99-01845, for the collection, reuse or recycling of used appliances (white goods) and scrap metals in the City of Toronto. We recommend that authority be granted to issue two new quotation requests, one for the collection of white goods and scrap metals, and one for CFC extraction from white goods and marketing of white goods and scrap metals.

A future report from the Commissioner of Works and Emergency Services will include an evaluation of the results from the two new quotation requests and a comparison of these results to the costs to perform the work using municipal staff and resources.

Contact:

Craig Bartlett
Supervisor – Processing Operations
Solid Waste Management Services Division
Works and Emergency Services
Tel: (416) 397-5381
Fax: (416) 392-4754
E-mail: cbartlet@city.toronto.on.ca

Lou Pagano
Director, Purchasing and Materials
and Management Division
Finance Department
Tel: (416) 392-7311
Fax: (416) 392-1052
E-mail: lpagano@city.toronto.on.ca

Insert Table 1

The Works Committee also submits the following report (October 29, 1999) from the Commissioner of Works and Emergency Services:

Purpose:

To inform Committee of the results from the Quotation Request for the collection and reuse or recycling of white goods and scrap metals from residential and transfer and disposal locations in the City of Toronto.

Financial Implications and Impact Statement:

There are no financial implications to report.

Recommendation:

It is recommended that this report be received for information.

Background:

On Tuesday, August 3, 1999, a Quotation Request for the collection and reuse or recycling of white goods and scrap metals from all Toronto Community Council Areas and transfer and disposal facilities was issued.

The Quotation Request provided for the collection, reuse and recycling of white goods and scrap metals. The contract would be for a three-year period with an option for a one or two-year extension, if all terms and conditions were agreeable to the City and Contractor.

The closing date for bids was August 20, 1999.

Only one company, Merchandise Recovery Services Incorporated (MRSI), submitted a bid price for the service. MRSI currently provides this service under contract. The price quoted was \$10.65 per location, which represented a 113 percent increase over the existing MRSI price per location.

Comments:

City staff advised Mr. Mike Di Cenzo, President of MRSI, that although he was the only bidder, the new price per location of \$10.65 was unacceptable and that the City was considering other collection options.

The first option, because of the significant increase in the cost to provide this service with a private contractor, would be to investigate the opportunity to provide the collection service with public sector forces.

The second option for consideration was to ask our Purchasing and Materials Management Division (PMMD) to re-issue a new quotation request if staff were able to identify other private

sector companies that could provide the service or if MRSI could modify their collection methods to reflect a price closer to our existing costs.

MRSI was not forthcoming with a satisfactory proposal to modify their collection methodology to reduce their price. On September 30, 1999, the Solid Waste Management Services Division (SWMSD) sent a letter to MRSI to advise them that the contract would not be awarded at the new price.

However, in an effort to properly assess all the options for the collection and reuse or recycling of white goods, the SWMSD extended the MRSI contract until December 1, 1999.

In order to get the lowest net cost for the City of Toronto and allow more private sector companies to provide a bid, SWMSD staff have instructed the PMMD to re-tender the service request in two phases.

The first quotation request will be for the purchase of the City's white goods and scrap metals once they have been collected and delivered to specified locations. The second quotation request will be for the provision of services to collect the white goods only.

Merchandise Recovery Services Incorporated will be invited to provide a bid on both of these quotation requests.

Conclusions:

After a review of the price proposal from MRSI, staff are planning to issue two new requests for quotations.

A follow up report with the results of the new quotation requests will be forwarded to the Works Committee in December.

Contact:

Craig Bartlett, Supervisor – Processing Operations
Solid Waste Management Services
Works and Emergency Services
Tel: (416) 397-5381; Fax: (416) 302-4754
E-mail: cbartlet@city.toronto.on.ca

The Works Committee also submits the following communication (October 18, 1999) from Mr. Mike Di Cenzo, Merchandise Recovery Services Inc.:

Merchandise Recovery Services Inc. representatives Paul Skidmore or Mike Di Cenzo are requesting an opportunity to make a deputation before the Works Committee on November 3, regarding the white goods curbside program.

A tender was issued and we won the tender. A request was made to adjust pricing and this was also done. It was then recommended this business be taken in house and that the public sector could do the work cheaper. We requested a copy of cost reconciliation. It was denied. We are asking for accountability and offering interim recommendations to deal with this matter.

Councillor David Shiner has requested and already received information regarding this matter.

(Offer submitted by Merchandise Recovery Services Inc.
to the General Manager, Solid Waste Management Services Division on
September 28, 1999)

\$7.50 per scheduled call with downside protection on scrap metal pricing should scrap drop below \$65.00 per tonne (see sliding scale below).

Scrap per tonne	Base call		Extra per call
\$60.00	\$7.50	Downside protection	\$0.85
\$55.00	\$7.50	Downside protection	\$1.70
\$50.00	\$7.50	Downside protection	\$2.55
\$45.00	\$7.50	Downside protection	\$3.15

The Works Committee reports, for the information of Council, having also had before it during consideration of the foregoing matter the following:

- (i) confidential joint report (November 29, 1999) from the Chief Financial Officer and Treasurer and the Commissioner of Works and Emergency Services;
- (ii) communication (November 3, 1999) from Mr. Brian Cochrane, President, Toronto Civic Employees' Union, Local 416, requesting that the Works Department work with the Union to analyze the cost of doing this work in house; and to discuss what is the best method of collection and how applying best practices might reduce costs across the City; and
- (iii) communication (December 1, 1999) from Toronto Civic Employees' Union, Local 416, requesting the City to discuss with the Union the best method of collection to investigate ways of making the service more cost-efficient.

The following persons appeared before the Works Committee in connection with the foregoing matter:

- Mr. Bruce Davis, Urban Intelligence Inc., and Mr. Mike Di Cenzo, Merchandise Recovery Services Inc.;
- Mr. Peter Leiss, Executive Vice-President, Toronto Civic Employees' Union, Local 416; and

- Councillor Douglas Holyday, Markland-Centennial.

(City Council on December 14, 15 and 16, 1999, had before it, during consideration of the foregoing Clause, a confidential communication (December 1, 1999) from the City Clerk, such communication to remain confidential in accordance with the provisions of the Municipal Act.)

(City Council also had before it, during consideration of the foregoing Clause, a communication (December 15, 1999) from Mr. Peter Leiss, Executive Vice-President, Toronto Civic Employees' Union – CUPE Local 416, expressing concerns regarding the collection of White Goods in the City of Toronto, and requesting that the matter be referred back, with direction, to undertake a proper tendering process.)