

PW-B1-1

DATE: December 2, 2010

REPORT TITLE: **URBAN WHITE GOODS COLLECTION CONTRACT
DOCUMENT 2005-524T**

FROM: Dan Labrecque, Commissioner of Public Works

RECOMMENDATION

That the current four day a week collection schedule for White Goods be changed to a two day a week schedule to reflect the significant drop in demand for this service;

And further, that the White Goods Collection Agreement between the Region of Peel and Turtle Island Recycling Corporation, executed on February 16, 2006, be amended to reflect the above change in service level and to change the method of compensation from the current cost per tonne basis to a flat daily rate using one vehicle at 10 hours per day, two days a week for an estimated total of \$88,400 (excluding applicable taxes) per year, subject to annual Consumer Price Index adjustments for the remaining term of the Agreement;

And further, that the new method of compensation be retroactive to commence on June 1, 2010;

And further, that staff be authorized to increase the contract to handle seasonal peak periods, at the Region's sole discretion acting reasonably with payment based on an equivalent fixed hourly rate for the actual number of hours that the additional vehicle(s) performs work;

And further, that the required amending documents be executed by the duly authorized signing officers of the Regional Corporation.

REPORT HIGHLIGHTS

- Turtle Island Recycling Corporation performs White Goods collection services in the Cities of Mississauga and Brampton under contract with the Region of Peel.
- Under the current agreement between the Region and Turtle Island, payment for services is calculated on a cost per tonne basis.
- A substantial decline in the tonnage of White Goods collected at the curb has resulted in a substantial decrease in Turtle Island's revenues, without a corresponding reduction in operating costs.
- Turtle Island and Regional staff have reached a tentative agreement on a new method of compensation and collection schedule that will address the reduced tonnage of White Goods at the curb and help improve the cost efficiency of Turtle Island's operations.
- The current call-in process for White Goods will not change.

DISCUSSION

1. Background

The Region of Peel (Region) is responsible for providing waste collection, processing, transfer and disposal services to the Cities of Mississauga, Brampton and the Town of Caledon.

On February 16, 2006, Regional Council approved Resolution 2006-117 to award the contract for the collection, transportation and delivery of White Goods in Mississauga and Brampton to Turtle Island Recycling Corporation (Turtle Island) for a 10 year period. The award to Turtle Island was part of a competitive tender process. Under the Agreement between the Region and Turtle Island, payment for services is calculated on a cost per tonne basis.

The original tender for the collection, transportation and delivery of White Goods in Mississauga and Brampton included the tonnage projections shown in Table 1 below:

Table 1 – White Goods Tonnage projected in RFP

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2,285	2,330	2,385	2,426	2,467	2,522	2,563	2,604	2,650	2,691

2. Findings

A substantial decline in White Goods tonnage available for curbside collection is attributed to the following factors:

a) User Pay Program

On March 9, 2006, Regional Council approved Resolution 2006-218 to implement a user pay program for White Goods collection. Effective June 5, 2006, a \$15 per unit fee for the first unit and a \$10 fee for any additional units for the collection of White Goods was implemented.

It is important to note that the quantity and tonnage of White Goods received at the Region's network of Community Recycling Centres (CRC) has increased in relation to

December 2, 2010
**URBAN WHITE GOODS COLLECTION CONTRACT
 DOCUMENT 2005-524T**

the tonnage collected at the curb since the implementation of the user fee program. Residents are allowed to drop off their White Goods directly at the CRCs free of charge.

b) Illegal Scavenging

Higher than normal scrap metal pricing has resulted in increased scavenging activities of White Goods set out at the curb for collection. Turtle Island regularly reports White Goods bookings that have disappeared by the time the collection vehicle arrives at the pick up location.

c) Take Back Programs from the Province and Competing Commercial Sector

In June 2007, the Ontario Power Authority (OPA) launched "The Great Refrigerator Roundup" program across the province. With the program, the OPA will collect refrigerators, freezers and air conditioning units free of charge. The program is available to all Peel residents and offers to take away the appliances from inside the house, which has attracted huge participation from homeowners.

Similarly, the commercial sector has started to offer free take back service to promote sales of appliances. In the past, commercial stores charged a removal and disposal fee for old appliances with the purchase and installation of new appliances. As with the OPA's take back program, commercial delivery staff will remove the old appliances from inside the house thus increasing the convenience and incentive for residents to replace old appliances.

Table 2 provides a comparison of the actual tonnage of White Goods collected in 2005, before the implementation of the Region's user-pay program, and in 2006, 2007, 2008, 2009 and 2010 (year-to-date) since the program came into effect.

Table 2 – Comparison of Projected and Actual White Goods Tonnage

	2005	2006	2007	2008	2009	YTD November 2010
Projected	2,375	2,285	2,330	2,385	2,426	2,261
Actual	2,316	1,560	626	409	522	147
% Variance	-2.48%	-31.72%	-73.13%	-82.85%	-78.48%	-93.49%

December 2, 2010
**URBAN WHITE GOODS COLLECTION CONTRACT
 DOCUMENT 2005-524T**

Table 3 illustrates the effect that scavenging and aggressive take back programs have had on the number of units booked versus the quantity actually collected by the contractor.

Table 3 – White Goods Unit Comparison

	Units Projected in Request for Proposal (RFP)	Units Booked	Units Collected	Missing at Curb
2005	30,590	44,093	27,847	16,246
2006	29,430	29,599	21,361	8,238
2007	30,010	12,652	7,887	4,765
2008	30,719	10,427	5,535	4,833
2009	31,247	10,607	7,042	3,565
YTD November 2010	29,122	6,291	2,212	4,079

As a result of the drop in tonnage, Turtle Island has experienced a decrease in revenues, without a corresponding reduction in operating costs. On March 28, 2007, the Region accepted a request from Turtle Island for a reduction in the Letter of Credit (LOC) requirement of the Contract from \$50,000 to \$25,000 to reflect the decline in White Goods tonnage available for curbside collection. In June 2010, Turtle Island submitted a proposal to amend the current service agreement to include a new method of compensation and collection schedule that would address the reduced tonnage of White Goods at the curb.

3. Proposed Direction

In discussions with Turtle Island, Region staff recognizes their concerns regarding the substantial decline in White Goods tonnage and the impact it has had on Turtle Island's operations. Staff also recognizes the reduced tonnage can be effectively managed on a two day per week schedule instead of the four day per week schedule required in the RFP.

Staff proposes the following amendments to the White Goods collection contract with Turtle Island, subject to Council approval:

- The four day collection week will be changed to a two day collection week, with collection occurring every Wednesday and Thursday.
 - The existing areas currently collected on Monday and Wednesday will be collected every Wednesday.
 - The existing areas currently collected on Tuesday and Thursday will be collected every Thursday.
- The method of payment will be changed from the current cost per tonne basis to a fixed daily rate using one vehicle two days a week 10 hours per day, which equates to an annual rate of \$88,400.
- Annual Consumer Price Index (CPI) adjustments will be applied in accordance with the current Contract. The next adjustment will be July 1, 2011.
- The one vehicle dedicated to the contract will be permitted to perform work outside Peel Region on off days (Monday, Tuesday and Friday).
- The use of an additional vehicle by the contractor, to handle seasonal peak period, will be allowed at the Region's sole discretion with payment based on a fixed hourly rate for the actual number of hours that the additional vehicles performs work.

December 2, 2010

**URBAN WHITE GOODS COLLECTION CONTRACT
DOCUMENT 2005-524T**

- The Region will not be responsible to pay additional fees for additional vehicle used to replace the dedicated vehicle in the event of a breakdown.
- With the exception of the two day per week collection schedule and the new method of compensation, the Amendment will not affect any other of the existing contract provisions.

Staff recommends that Turtle Island receive compensation retroactive to June 1, 2010. The retroactive compensation amount will be determined by calculating the difference between the total invoice payment amount for the retroactive period and the prorated portion of the proposed annual payment amount of \$88,400. This date corresponds to when the Region first received Turtle Island's formal request to change the service agreement in response to decreased revenues resulting from dropped tonnages.

Moving from a cost per tonne payment to a fixed monthly rate will provide better budget predictability and insulate the Region and Turtle Island from the impact of fluctuations in the market price of scrap metal and its affect on the curbside collection of White Goods. It will also compensate Turtle Island in a fair and consistent manner given that they will continue to be required to service all booked requests regardless of whether or not the White Good is actually present when they arrive. Changing the current four day collection week to a two day collection week will also increase the cost efficiency of Turtle Island's collection operations.

FINANCIAL IMPLICATIONS

Year-to-date, the Region has paid total invoice payment of \$29,431.63 to Turtle Island. The Region recommends that Turtle Island receive compensation retroactive to June 1, 2010, which will be determined by calculating the difference between the total invoice payment amount for the retroactive period and the prorated portion of the proposed annual payment amount of \$88,400 under cost centre WW70130. The annual payment and retroactive compensation amount will be well below the 2010 Waste Management Operating Budget for White Goods collection of \$124,992.

Annual CPI adjustment will be applied in accordance with the current Contract. The 2011 Waste Management Operating Budget submission includes the necessary funding for this work.

December 2, 2010

**URBAN WHITE GOODS COLLECTION CONTRACT
DOCUMENT 2005-524T**



Dan Labrecque
Commissioner of Public Works

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Norman Lee at extension 4703 or via email at norman.lee@peelregion.ca

Authored By: Andrea Ivanovs

- c. Legislative Services
 - dm* Manager, Financial Support Unit (FSU)
 - WJ* J. Macintyre, Director, Purchasing
 - 102* N. Lee, Director, Waste Management