

REQUEST FOR PROPOSALS

Review of OES Collection Incentive Methodology

Issue Date: September 29, 2009

Ontario Electronic Stewardship (OES) is issuing a Request for Proposals (RFP) to select consultants to review the current methodology used by OES to establish the collection incentive paid to OES-Approved Collectors of Waste Electrical and Electronic Equipment (WEEE) in Ontario and to develop a methodology for determining collection incentives for three different collection methods. The proposed methodology is to be based on activity-based costing (ABC) principles and supported by data compiled at OES collection locations across Ontario.

PART A: Background

OES is a not-for-profit organization formed by retail, information technology (IT) and consumer electronic companies to implement the WEEE Program Plan under Ontario's *Waste Diversion Act, 2002*. The Plan requires brand owners, first importers and assemblers to pay fees to manage end-of-life WEEE based on the quantity of electrical and electronic equipment (EEE) supplied into Ontario. Collected fees are used by OES to operate the WEEE Program.

The program is being implemented in multiple phases. Phase 1¹ came into effect on April 1, 2009, and addresses desktop and portable computers, computer peripherals, monitors, printers, fax machines and televisions. The Revised (Phase 1 and 2) Plan² will be implemented on April 1, 2010, and will expand collection to include phones, cameras and audiovisual equipment.

The WEEE Program provides opportunities for individual consumers and businesses to reuse and recycle their end-of-life electronic items responsibly. To help operate the program, OES engages a number of service partners to collect, transport and process WEEE, and provides financial incentives to these organizations to encourage collection of as much WEEE as possible for reuse and recycling.

Collectors, as the front-line service provider, are an important component of the overall success of the program. OES-Approved Collectors include municipalities, not-for-profit organizations, retailers of IT and consumer electronics and private businesses. Under the program, WEEE is being collected in one of three ways:

- 1) The majority of Collectors operate a depot-type program, where consumers and businesses can drop off their WEEE at a specific location. Some of these collectors may offer a separate service to collect WEEE from businesses, often for a fee, however that is outside of the scope of this study.

¹ See the full Phase 1 Program plan at www.ontarioelectronicstewardship.ca/plan/phase1.html

² See Revised (Phase 1 and 2) Program Plan www.ontarioelectronicstewardship.ca/plan/phase2.html

- 2) Some collectors have drop-off special collection events where the access is limited to a particular period of time (e.g. a specified date).
- 3) Some municipalities collect WEEE at curbside on a scheduled or special collection (i.e. seasonal fall clean-up or bulk pick-up) day.

The financial incentive paid to all OES-Approved Collectors is currently set at \$165 per metric tonne, for all Phase 1 materials collected and all collection methods. The collection incentive was intended to fairly represent the costs associated with receiving WEEE from generators and to sort and prepare WEEE for transport according to OES specifications, including sorting and packaging WEEE into the three material groups outlined in Table 1. OES provides collectors with pallets, shrink wrap, bulk bags and/or Gaylord boxes, and all transport costs from the collection site to the end-of-life processor are paid by OES.

Table 1 – Phase 1 WEEE Material Groupings

WEEE Groupings	WEEE Materials
Group 1	Desktop and portable computers
Group 2	Televisions and computer monitors
Group 3	Printers and computer peripherals

The \$165 per tonne figure was developed by OES using a model that estimated the variable and fixed costs that may be incurred by collectors, assuming that the activities being compensated cost the same at all locations. In other words, regardless of the size, type or location of the collector, all receive \$165 per tonne of WEEE collected. The fixed and variable costs were estimated to include the following:

- Allocation of space for pallets based on market lease rate of \$5.82 for a square-foot;
- Labour costs of 1.5 hours for assembling pallet at hourly rate of \$20;
- Overhead costs such as utilities, maintenance and insurance at 50% of the lease rate;
- Consideration for amortized capital costs needed for handling;
- Miscellaneous material costs;
- Profit margin of 10%; and
- Average pallet and bulk bag weight of 300 kg when full.

OES is looking to replace this approach with a more comprehensive ABC based methodology to provide more accurate information on the costs associated with collecting and handling different types of WEEE in different collection systems. A copy of the model will be provided to the successful proponent.

OES made a commitment as part of the research and development program in the Phase 1 plan to review the incentive model and approach, and part of this review includes conducting an ABC study, as described in the following sections. Decisions about changes to the incentive payment will be made by the OES Board of Directors. The consultant will be reporting to a study review team that includes:

- OES Executive Director
- OES Program Managers (StewardEdge) who will oversee the study
- WDO representative who will act as observer to the study

While Table 1 outlines the current collection requirements under the Phase 1 program, it should be noted that a revised Program Plan that includes an expanded list of Phase 2 materials has been approved for implementation in April 2010. OES desires to have this study reflect the expanded program and range of materials.

In summary, the key change to the collection system under the approved program is that all of the new materials (with the exception of floor standing copiers and printers) are to be collected in the “third” bin or bulk bag which does not include any wrapping or stacking. See Table 2 for the groupings:

Table 2 – Phase 1 and 2 Material Groupings

WEEE Groupings	WEEE Materials
Group 1	Desktop and portable computers
Group 2	Televisions and computer monitors
Group 3	Phase 1 – Printers and computer peripherals <i>Phase 2 – Telephones, cellular phones, image, audio and video players and recorders (personal/portable; home/non-portable; home theatre in a box, aftermarket vehicle)</i>
Group 4	<i>Phase 2 – Floor standing copiers and printing devices</i>

Note: Changes resulting from implementation of Phase 2 in April 2009 are noted in italics.

Many OES collectors are not currently collecting Phase 2 materials and, where OES collectors are collecting Phase 2 materials, they are typically not being managed in the manner outlined in Table 2. Therefore it is expected that OES and the consultant will determine an appropriate ABC methodology for these materials. OES will be able to coordinate a supply of Phase 2 materials for sampling purposes. Information may be available on how Phase 2 materials are being managed in Nova Scotia (a jurisdiction where Phase 2 materials have been collected since February 2009). While it is anticipated that most sampling work will be carried out with the Phase 1 material groupings (Table 1), the consultant is requested to recommend how best to incorporate the revised program materials, as outlined in Table 2, into the sampling workplan.

PART B: Overview of this Study and Scope of Work

The purpose of this study is to develop an activity-based costing methodology for Phase 1 and 2 WEEE for the three different collection methods (depot, special events and curbside). This methodology will be used to determine if the current collection incentive adequately reflects costs associated with the collection of WEEE, and if not, how it should be modified.

To accomplish this, the project includes three main tasks that RFP proponents are requested to address in their proposal:

- 1) Develop and prepare work plan for field research, based on reviewing the current methodology for calculating the collection incentive, compiling necessary planning information for Phase 2 WEEE and discussions with and/or survey of existing collectors.

- 2) Develop ABC methodology and implement sampling workplan to determine a collection incentive for depot, special event and curbside collection programs for both Phase 1 and 2 materials.
- 3) Prepare draft and final reports for OES with findings and recommendations.

Details about each task are described below.

Task 1: Develop Revised Methodology and Sampling Workplan

The objective of Task 1 is for the consultant to define the study scope of work and recommend a sampling workplan based on a review of the current collection incentive methodology, standard ABC practices and experience in defining costs and cost allocation.

The study workplan should include the examination of a representative sample of OES collection sites (e.g. collector type, geographic factors, urban and rural, etc.), in order to assess the Ontario-specific costs associated with the collection, sorting and preparation-for-transport activities required of OES-Approved Collectors. Part of this assessment should include a time and motion study to determine the average time required for collectors to assemble pallets of each of the four material groupings (as outlined in Table 2), to determine if there are variations in allocating the handling incentive across different groups of WEEE. The study is required to examine each of the three styles of collection programs: depot style, special event and curbside collection. It should include a representative range of service providers (i.e. municipalities, retail, private companies, not-for-profit organizations).

The recommended methodology should answer questions such as:

- Should the collection incentive vary by region? By quantity collected? By hours of operation? By range of WEEE accepted?
- Should the rate vary by material grouping (as described in Table 2)?
- Should the rates vary for products within a material grouping (e.g. separate costs for televisions and computer monitors within the display device collection grouping)?
- Is there a differential in costs for handling monitors and televisions and for handling these materials across differently collection formats (e.g. placed on pallets and wrapped versus place in Gaylords, or bulk bags)?
- How to introduce Phase 2 materials into the sampling process and at what ratio?
- Are there other significant factors that should be taken into account when setting variable fees (e.g. direct and indirect administration costs)?
- What are the primary cost drivers?

Results and discussion should include (but are not limited to) the following variables:

- Cost for each of the three collection types (cost/tonne)
- Cost for each type of service provider (cost/tonne)
- Cost to prepare each of the four material groupings (cost/tonne)
- Observations about the key factors influencing the resulting costs
- Observations about best practices observed and possible impact on collection and handling costs

The consultant will prepare a draft sampling workplan and present the findings and recommendation to the OES study team for review and approval.

Task 2: Conduct Approved ABC Study

Task 2 will involve collecting the required field data and updating and populating the approved methodology.

OES will arrange access to collection sites, the quantity and location of which is to be specified by the consultants based on the needs of the study. OES will also arrange confidentiality agreements between the consultants, OES and the collection sites.

Task 3: ABC Study Findings and Final Report

The final task is to present to the study team the preliminary findings from the sampling activities. After review by the study team, the consultant will prepare a draft report for review by the study team followed by preparation of a final report. The consultant may be requested to provide a presentation to the OES Board of Directors.

PART C: Deliverables

The consultants will be responsible for the following deliverables:

- 1) The consultants will arrange a project initiation meeting within one week of contract award to review and confirm the workplan, timelines and project contacts. The consultants will then provide a revised detailed workplan for approval by OES within one week of the project initiation meeting.
- 2) Within four weeks of the project meeting, the consultants will prepare a draft sampling methodology and workplan to the OES study team for review and approval.
- 3) Once OES approves the proposed sampling methodology and workplan, the consultants will complete the required field work. The consultant is requested to provide the estimated time required to implement the sampling workplan in their proposal.
- 4) The consultants will prepare draft report, with presentation to the study team, detailing the findings and recommendations. Copies of all data tables must be provided in Excel format. The presentation should be scheduled at least one week after delivery of the draft report.
- 5) The consultants will prepare a final report within two weeks of receiving comments from the study team.

PART D: Proposal Submission Process and Requirements

Evaluation and Selection

The successful proponents will be selected based on the study team's scoring and assessment of:

- Experience and capability of proponent's team

- Understanding of the project scope of work and the proposed study methodology
- Value for money

It is the intent of OES to contract with the firm or firms that will provide the best overall value to meet OES' current and future needs.

OES shall have the right, based on a change in its work requirements, time demands or budget constraints, to:

- Accept any proposal;
- Accept any part of any proposal;
- Accept proposals for different portions of work;
- Reject any proposal;
- Reject any part of any proposal;
- Reject all proposals; and/or
- Terminate the RFP process.

Proponents will be notified of the results of the selection process.

Proposals will be evaluated and should include the following elements:

Proposed Study Methodology

The proposal must outline the major steps to be undertaken to accomplish each task and provide each deliverable. Bidders should indicate any considerations not identified in this scope of work that will affect the study, and any specific actions that Ontario Electronic Stewardship or the consultants should undertake. Proposals should be no longer than 15 pages. The scoring for this element will be 30 points out of a scoring total of 50.

Price

The proposal must indicate the overall price to complete the study requirements by the tasks outlined. The proposed level of effort and hourly rate should be presented for each team member and each task and summarized for the entire team. Expenses, including travel and accommodation during field study, should be itemized separately. All travel will be by car and within Ontario. Other variable or optional costs need to be clearly outlined. Proponents should also identify any project and budget variations or options that they believe will contribute to a successful completion of the project. The scoring for this element will be 10 points out of a scoring total of 50.

The Study Team

The proposal must identify the team who will undertake the study (chart with names and functions and hours) as well as the brief curriculum vitae of the principle members of the team. Any team members to be sub-contracted should be clearly identified. If the bidder anticipates the need to hire additional staff to undertake the study, the bidder must indicate the level of qualification and experience that will be required. The scoring for this element will be 10 points out of a scoring total of 50.

Project Timelines

The proponent should recommend a timeline, including significant milestones, based on their proposed methodology. Note, however, the project should be completed by end of February 2010 unless otherwise agreed to by the study team. The following are project start-up milestones:

Date (2009)	Milestones
September 29	RFP Released
October 15	Deadline to submit proposal
October 19-20	Proposal evaluations and possible interviews
October 26-27	Award project and project initiation meeting

Proposal Deadlines and Contact Information

The final deadline for submission of proposals in response to this RFP is **2:00 PM on Wednesday, October 15, 2009**. Proposals should be no longer than 15 pages (with exception of curriculum vitae for proponents study team).

Proposals must be submitted electronically, addressed to:

Ontario Electronic Stewardship
 c/o StewardEdge
 Attn: Gordon Day
services@ontarioelectronicstewardship.ca

Insurance

The successful consultants will maintain in force for the duration of the project at its own expense comprehensive general liability in the amount of not less than two million dollars. The successful consultants will be required to remain in good standing with the Workplace Safety and Insurance Board (WSIB) during the duration of this study. Please address this in your proposal.

Confidentiality

The consultants will be required to enter into confidentiality agreements with OES and likely also with the partner collection sites and their service providers in order to protect commercially sensitive information made available through the study or other communications, direct or indirect.