

CIF Project #1066 – Drummond/North Elmsley Contract Management Support

Background

In October of 2018, the Township Drummond/North Elmsley (DNE) applied for funding to address contract management issues they were encountering with their current collections contractor (Glenview Iron & Metal or GIM). Their contract at the time required that GIM be responsible for collection and processing of DNE's recyclables. GIM subcontracted with Beaumen Waste Management (Beaumen) to process DNE's material. Prior to the contract dispute, Beaumen had convinced DNE and many of its neighbouring municipalities to convert to single stream collection with the promise of significant cost savings.

In 2017, Beaumen, like many recyclers, was caught out by the collapse of the mixed paper market when the China Sword regulations were passed. This market change caused Beaumen to declare force majeure and institute a 35% increase in processing costs and requirement that its customers convert back to two stream collection within six months along with a 7% increase in processing costs. GIM sought to pass on these costs to DNE.

Summary of Results

The CIF provided funding to allow DNE to hire EXP Services to develop a new contract which took effect in 2020. CIF staff also assisted with negotiations with GIM and Beaumen in the interim. Beaumen ultimately went bankrupt and DNE converted back to two stream operations, as described in CIF #1073. DNE ultimately opted to undertake an interest-based discussion with the current contractor leading to an amendment of the existing contract thereby avoiding the cost of termination.

Financials

A total of \$4,100 in funding was provided for EXP's assistance. The avoided costs from the associated negotiations with GIM recovered this cost within six months.

Learnings

There are a number of learnings from this unfortunate situation. Perhaps the most obvious is that it highlights the risks associated with comingled collection. While efficiencies can be achieved on collections in certain situations, the downside risk of producing low quality and/or unmarketable recyclables can easily compromise the promised savings. It also highlights the risks associated with selecting approaches that limit the ability to select

alternative processors. Finally, it is clear that municipalities can expect an increasing rate of contract failures and need to be able to assess the cost of litigation versus renegotiation.