

August 3, 2004

To: Administration Committee
From: Chief Financial Officer and Treasurer
Subject: Replacement Toner Cartridges

Purpose:

The purpose of this report is to respond to the Administration Committee's request to report on suggested recommendations related to Replacement Toner Cartridges.

Financial Implications and Impact Statement:

There are no financial implications arising from this report.

Recommendations:

It is recommended that:

- (1) future calls (Request for Quotation) for printers request whether remanufactured toner cartridges are commercially available for the makes/models offered and that the cost of the toner cartridges be taken into account in determining the total cost of ownership to determine the winning bid;
- (2) remanufactured toner cartridges purchased by the City shall meet or exceed OEM cartridge specifications and remanufactured toner cartridge standards issued by Environment Canada's Environmental Choice Program, Canadian General Standards Board, or approved equivalent and the supplier must agree that it will be their responsibility to correct any printing problems caused by their toner cartridge;
- (3) in order to ensure a supply of cartridges for all printers in use by the City, calls issued by Purchasing and Materials Management Division (PMMD) for replacement toner cartridges continue to allow suppliers to bid on both Original Equipment Manufacturer (OEM) and remanufactured toner cartridges;
- (4) future calls for printer toner cartridges be awarded based on lowest cost per cartridge meeting City specifications, wherever possible, rather than overall lowest bid; and

- (5) City Agencies, Boards, Commissions and Corporations as listed in Appendix A, be requested to review and update their respective purchasing policies and practices in this regard and report back to the Administration Committee on the outcomes of such reviews and updates.

Background:

City staff can purchase toner cartridges either from the PMMD Stores or from the City's stationary supplier. The City does not restrict bids for replacement toner cartridges to only remanufactured toner cartridges.

At the present time toner cartridges supplied by PMMD Stores, acquired by competitive quotation process, are mostly OEM cartridges. Departments wishing to purchase remanufactured toner cartridges that are not stocked by PMMD Stores can do so through the City's supplier of stationary products.

City empty toner cartridges, whether OEM or remanufactured, are recycled by selling them to a toner cartridge remanufacturer.

At its meeting of June 2, 2004, the Administration Committee requested the Chief Financial Officer and Treasurer to report back to the Administration Committee for its September 8, 2004 meeting on the following suggested recommendations proposed by Mr. John Adams:

- 1) For acquisition of all new printers, the City of Toronto should require that only printers that have remanufactured cartridges commercially available shall be eligible.
- 2) For those printers already acquired, the City should require that only remanufactured toner cartridges shall be used which meet City specifications.
- 3) The City of Toronto should conduct a yearly bidding process that will be open to all qualified remanufacturers. The City should produce a qualified vendor list and only remanufacturers on this list will be allowed to conduct business with the City. These vendors must meet City specifications for quality standards and be approved through the normal selection process implemented by the City.
- 4) The City of Toronto shall cease the practice of accepting only "bundled" bids – or winner take all bids – from toner cartridge manufacturers or remanufacturers. In the past, if remanufactured toner cartridges were not available for all printer types, the bid was disqualified.
- 5) The City of Toronto should only buy OEM cartridges when no remanufactured option exists meeting City specifications.
- 6) City Council, through the Commissioner of Finance, request its Agencies, Boards and Commissions such as Toronto Police Services and Toronto Transit Commission to review and

update their respective purchasing policies and practices in this regard and report back to the Administration Committee on the outcomes of such reviews and update.

Comments:

The recommendations from Mr. Adams have been reviewed by the Finance Department, Purchasing & Materials Management Division and Corporate Services, Information & Technology (I & T). The following is in response to Administration Committee recommendations.

For acquisition of all new printers, the City of Toronto should require that only printers that have remanufactured cartridges commercially available shall be eligible.

Corporate Services, Information & Technology have advised that the City of Toronto requires a number of different types of printers to meet operational needs. Recommended printers are listed on Corporate Services, Information & Technology intranet website. A survey of printer manufacturers determined that there was only one brand of printer available that had remanufactured cartridges commercially available at the time it was introduced to the market. Since printer models are updated frequently by the manufacturers, restricting the City's requirements to just those models with remanufactured cartridges commercially available at the time of soliciting quotations would not allow the City to purchase the most up to date printers available. In addition, it would limit the number of bids since it appears from the survey that most new model printers do not have remanufactured cartridges available at the time they are introduced to the market.

Remanufactured toner cartridge manufacturers were surveyed by PMMD for their comments relative to this suggestion. It was found that remanufactured cartridges could be available from 8 to 12 weeks after introduction of a new printer model into the market. However, it generally takes approximately 6 months to a year before there are sufficient quantities of remanufactured toner cartridges to meet all client needs for a continuous supply. It is therefore recommended that future calls for printers include a request for bidders to state the availability of remanufactured toner cartridges for the make/model of printer offered and be taken into account when determining the total cost of ownership of the printer to determine the winning bid.

For those printers already acquired, the City should require that only remanufactured toner cartridges shall be used which meet City specifications.

Currently the City does not restrict bids for replacement toner cartridges to only remanufactured toner cartridges. Some printer manufacturer's owner's manuals state that warranties will not be honoured if non-original OEM parts, including toner cartridges, are used and problems are found to have originated from those sources. Also, there were four (4) replacement toner cartridge types in the latest call document that did not receive a remanufactured toner cartridge bid. If the City were to request only remanufactured toner cartridges for the printers already acquired, we may find that remanufactured toner cartridges are not available for each type specified on the call and therefore would not be able to supply replacement toner cartridges for all printers in use at the City.

Most cartridges supplied currently through PMMD Stores are OEM cartridges, however, departments who do not require OEM cartridges and wish to purchase remanufactured cartridges can purchase them through the City's supplier of Stationary Products.

Remanufactured toner cartridges are allowed in the City's call for quotations for toner cartridges. To ensure good quality remanufactured toner cartridges will be purchased by the City, future calls for toner cartridges should require that remanufactured cartridges meet or exceed OEM cartridge specifications or approved remanufactured toner cartridge standards. Remanufactured toner cartridges should be required to meet or exceed the latest remanufactured toner cartridge standards issued by Environment Canada's Environmental Choice Program (CCD-039, Printing Cartridges-Remanufactured) or meet Canadian General Standards Board approved program (CGSB 53-148-96) or approved equivalent. The bidder must also agree that any printer problems caused by a remanufactured toner cartridge will be their responsibility. The cost of the cartridge based on number of copies per cartridge will also be considered and a consistent supply of cartridges must be available.

In order to ensure the best competitive prices possible and that toner cartridges are provided for all printers used by the City, PMMD should continue to allow suppliers to bid on both OEM and remanufactured toner cartridges to meet the City's replacement toner cartridge needs.

The City of Toronto should conduct a yearly bidding process that will be open to all qualified remanufacturers. The City should produce a qualified vendor list and only remanufacturers on this list will be allowed to conduct business with the City. These vendors must meet City specifications for quality standards and be approved through the normal selection process implemented by the City.

The City currently conducts a yearly bidding process that is open to all toner cartridge suppliers. The call document is issued to all suppliers on PMMD's bidders list and is also advertised on the City's Internet website. Successful suppliers are determined through the competitive call process by demonstrating they meet all City specifications and requirements in the call document at the lowest price. Creating a yearly qualified vendor list for toner cartridge remanufacturers only will shut out any new suppliers from bidding on City requirements for toner cartridges. In order for the City to ensure maximum competition resulting in the best prices possible for the City, PMMD should continue its current practice of issuing the call document to all toner cartridge suppliers wishing to bid on the City's requirements and select successful suppliers through the competitive call process.

The City of Toronto shall cease the practice of accepting only "bundled" bids – or winner take all bids – from toner cartridge manufacturers or remanufacturers. In the past, if remanufactured toner cartridges were not available for all printer types, the bid was disqualified.

The current toner cartridge contract was awarded based on lowest overall bid for all items as a strategy to provide efficiencies in the contract administration, stock replenishment, warehouse receiving and invoice payment processes. There were ninety-one (91) items on the last call issued.

Competitive pricing was received for all cartridges requested. Of the fourteen (14) bids received in response to the call, seven (7) bid on all items listed on the call document.

During a recent survey of remanufactured toner cartridge manufacturers by PMMD, as mentioned above, it was found that it generally takes approximately 6 months to a year before there are sufficient quantities of remanufactured toner cartridges to meet all client needs for a continuous supply after a new printer model has been introduced into the market. This could impact remanufactured toner cartridge manufacturer's ability to bid on all items required to meet the City's operational needs.

Ongoing inventory analysis of PMMD replacement toner cartridges based on current usage has determined a need to stock only thirty nine (39) toner cartridge types in the coming year. Due to the lower number of toner cartridge types required the efficiencies gained by awarding to the lowest overall bid would be reduced. It is therefore recommended that future calls for toner cartridges be evaluated and awarded based on lowest cost per cartridge, wherever possible, meeting all City specifications rather than overall lowest bid for all cartridges.

The City of Toronto should only buy OEM cartridges when no remanufactured option exists meeting City specifications.

City calls for replacement toner cartridges allow for both OEM and remanufactured toner cartridges to be offered. All bids are evaluated based on lowest cost meeting specifications and requirements. In order for the City to get the best price possible for toner cartridges, the City should buy the lowest price cartridge meeting specifications and requirements regardless of whether it is OEM or remanufactured. This process will ensure that OEM cartridges will only be purchased where a remanufactured cartridge meeting City specifications and requirements is not available or does not offer the lowest price. Toner cartridges purchased by the City, whether they are OEM or remanufactured, are recycled as explained below.

City Council, through the Commissioner of Finance, request its Agencies, Boards and Commissions such as Toronto Police Services and Toronto Transit Commission to review and update their respective purchasing policies and practices in this regard and report back to the Administration Committee on the outcomes of such reviews and updates.

The City's the Agencies, Boards, Commissions and Corporations, listed in Appendix A, will be requested to review their purchasing policies and practices in this regard and report the results of their review as well as any updates back to the Administration Committee upon approval of this report.

Recycling of Toner Cartridges

OEM and remanufactured cartridges purchased by the City are recycled. Empty toner cartridges used by the City are recycled through a toner cartridge recycling program managed by PMMD. PMMD disposes of used toner cartridges through a competitive Sale of Surplus Materials call and a

contract is awarded for a one (1) year period to the company offering the highest price for the used cartridges. Clients are instructed by PMMD periodically through a corporate communication by e-mail to save their used toner cartridges for disposal through PMMD. PMMD staff collects the used cartridges when deliveries are made. The cartridges are brought back to the PMMD warehouse location at 60 Brant Street where they are catalogued according to a list of returnable cartridges provided by the contractor upon initiation of the contract. These cartridges are kept at the 60 Brant Street warehouse until a suitable amount (4 skids) is accumulated and at that time the contractor picks them up. The contractor issues a cheque to the City based on the number of cartridges which are recyclable. In 2003, \$10,849.00 was received from the sale of approximately 3000 used toner cartridges collected through the used toner cartridge recycling program administered by PMMD.

Conclusion:

The City of Toronto requires a number of different printers to meet operational requirements. If the City were to only acquire new printers that already have remanufactured cartridges commercially available we may not be able to purchase the most up to date printers. However, future calls for printers should take into account whether remanufactured toner cartridges are commercially available in determining the total cost of ownership to determine the winning bid.

The City bidding process is open to all toner cartridge suppliers. Creating a qualified vendor list for remanufacturers only will eliminate the opportunity for new suppliers to bid on City requirements.

The current toner cartridge contract was awarded based on lowest overall bid to gain efficiencies in process. Although most of the toner cartridges in the PMMD contract are OEM, departments can purchase remanufactured toner cartridges through the City's supplier of Stationary Products. Ongoing inventory analysis by PMMD has reduced the replacement toner cartridge stocking requirement from ninety one (91) to thirty nine (39) cartridge types based on current usage data, resulting in a reduction in efficiencies gained by awarding to the lowest overall bid for all cartridges. Future calls for replacement toner cartridges should continue to provide the opportunity for suppliers to bid on both OEM and remanufactured toner cartridges and be awarded based on lowest cost per cartridge meeting City specifications, wherever possible, rather than overall lowest bid.

The City provides both OEM and remanufactured toner cartridge manufacturers the opportunity to

bid on replacement toner cartridge calls. Bids should be evaluated based on lowest cost meeting specification and requirements. OEM cartridges will only be purchased where a remanufactured cartridge meeting the City's specification and requirements is not available or does not offer the lowest price. Regardless of whether OEM or remanufactured toner cartridges are purchased, the City recycles its used toner cartridges by selling them to a toner cartridge remanufacturer.

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Attachments:

Appendix A: Listing of Agencies, Boards, Commissions and Corporations

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Board of Health
Police Services Board
Toronto Atmospheric Fund
Toronto Public Library Board
Toronto Transit Commission
Hummingbird Centre for the Performing Arts
Exhibition Place
St Lawrence Centre for the Arts
Toronto Zoo
Toronto Centre for the Performing Arts
Toronto Parking Authority
TradeLink
Rooming House Licensing Commission
Toronto Licensing Tribunal
Arena Boards of Management (8)
Association of Community Centres (10)
Yonge-Dundas Square
Heritage Toronto