

One person's "trash," another's treasure

EVERY TUESDAY MORNING, employees at the City of Calgary's Mayland Heights warehouse open what one official describes as a "little blue door" for a public showing of surplus personal computers. For as little as \$50, anyone can purchase a PC – the monitor is extra – powered by Windows 95, which is good enough for casual use of the Internet. This year, the city will sell more than 1,000 old PCs, mostly through the warehouse. The city will also dispose of 60,000 to 80,000 other excess items – everything from tool boxes and trucks, to baseball bats and sailboats. The sales will generate an estimated \$6 million that will flow back into city coffers.

Those figures put Calgary at the forefront of Canadian municipalities when it comes to the sale of surplus goods. By comparison, the City of Toronto, with more than 2 1/2 times the population, generates only about \$1 million from its annual spring and fall auctions. And Calgary's returns from asset sales have grown by leaps and bounds in recent years.

"I started this little group dedicated to surplus sales in 1990," says Allan Brousse, Calgary's investment recovery coordinator. "When we took over, it was handled by one buyer in the purchasing department who worked at it part-time. Our revenues were only \$600,000 to \$800,000 a year, mainly from heavy equipment sales."

Generally, Canadian municipalities sell excess goods by tender or public auction.

Bob Cormier, asset manager for the City of Fredericton, NB, says civic officials there need council approval to dispose of anything valued at more than \$5,000, and then call for tenders. They can exercise their own judgment for goods valued at less than \$5,000, which are accumulated for the annual auction. The city, with a population of about 50,000, holds its sale at the Fredericton Coliseum each spring and fills the floor with smaller items, such as bicycles, photocopiers and PCs. Big-ticket items – old police vehicles and heavy equipment – are advertised on a provincial government website and sold through quarterly auctions organized by the province. All told, the sales bring in between \$50,000 and \$100,000 annually, says Cormier.

The City of Toronto usually fills the spacious Queen Elizabeth Building at the Canadian National Exhibition with smaller items such as bikes – more than 400 of them at the spring 2004 auction. The city displays surplus vehicles on two adjacent parking lots

during its one-day auctions, says Sandra Jackson, manager of Client Services, Purchasing and Material Management for the city. The sales attract a mix of general public, who usually pick up less expensive goods, and small business owners, who tend to buy the vehicles. "We get a huge number of people and seem to get the same people every year," says Jackson. "It's a really wonderful day."

The city disposes of excess computers internally through a process that is tightly controlled by Toronto's city council. The computers are cleaned up and refurbished and sold to city staff, other public sector organizations, such as school boards, or donated to selected charitable organizations.

The City of Vancouver is one of the few municipalities that departs from the conventional approach of public auctions, and then only for large, unusual items hard to sell or considered next to worthless at auction. Jim Lloyd, senior investment planner and buyer, says the city relies on two firms to dispose of most excess items, but recently had a boat lifter (used at a municipally-owned marina) for sale, and some catch-basin cleaners, trucks with vacuum units and hoses

for drawing material from sewers. Rather than placing the items with an auctioneer, the city put them up for sale on a provincial website (www.bc.bid.ca).

Occasionally, the city sells surplus goods at a nominal price to appropriate organizations. Out-of-date PCs sometimes go to charitable organizations that use them to teach computer skills to the unemployed. The city recently found a volunteer fire department in a small community that eagerly snapped up a defibrillator, a medical device used to resuscitate heart attack victims. "We didn't want to give it to a private individual when there was a fire department out there that didn't have funding for one," says Lloyd.

Brousse attributes Calgary's success to two factors. First, he and an assistant Mike Harle work full-time on asset sales, a practice known technically as investment recovery. Second, city council has used the discretion granted under the provincial *Municipal Government Act* to adopt several innovative policies. For example, all surplus goods must flow through the investment recovery group and, where appropriate, items can be sold directly to buyers, at fair market value, rather than by public tender or auction.



"If you sell high value or unique items through public auction, you usually get pennies on the dollar," says Brausse. "If you can go to the end-users directly, you can maximize your return with very little effort."

Calgary uses its own website to advertise hundreds of different items for sale every day and even posts pictures of many pieces. The site recently offered buyers an assortment of consumer goods such as bikes, digital cameras, VCRs, pool cues and a golf cart, most of which had been turned over to the city by the courts after the conclusion of criminal cases involving theft. There were also 108.5 cubic yards of coal for sale, 150 concrete blocks and nine sailboats from a city-owned sailing school on the Glenmore Reservoir.

Through its website ads, the city has found buyers from all over North America and as far away as the Ukraine. Harle says one of most unusual items sold through the Internet was a show-mobile, a trailer with one side that could be lifted to create a fully illumi-

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nated portable stage. The Parks and Recreation Department used it for summer concerts before building permanent bandstands in its parks. The show-mobile went to a Florida resident and amateur musician who wanted it for road shows with his band.

Harle says the key to maximizing the return from surplus sales is to convince municipal councillors to allow direct sales to buyers for fair market value. "We've been given some freedom to pursue avenues other than those prescribed in the *Municipal Government Act*," he says. "You've got to be a salesman, go out there, talk to people and drum up business."

Brausse and Harle have also taken advantage of the professional expertise available through the Investment Recovery Association, which is based in Kansas City, Missouri. The 150-member organization has 15 Canadian members, including corporate heavyweights Imperial Oil, Syncrude and Dofasco, but Calgary is the only municipality that belongs.

IRA holds two conferences and trade shows per year, spring and fall, and offers an investment recovery manager certification program. The course is broken into five modules devoted to demolition of buildings, recycling, disposition of assets, marketing techniques, and analysis and appraisal. Three modules are offered at each conference and the association also administers exams at these events.

Association President Ron Brooks, an investment recovery manager for The Weyerhaeuser Company, a forest products giant, says municipalities are often limited in what they can achieve through surplus sales due to restrictions imposed by state and provincial governments. But he adds that no one should doubt the value of investment recovery. Studies conducted by the Center



for Advanced Purchasing Studies at Arizona State University have demonstrated that every dollar an organization spends on the practice brings benefits valued at \$22. And another demonstrated that, on average, one full-time investment recovery professional generates \$1.2 million worth of activity per year, either through sales, internal reuse or cost avoidance. Either way, public and private organizations can get good value for their money, he says, when they take seriously the emerging practice of investment recovery. ■■■

D'Arcy Jenish is a Toronto-based freelance writer.

