

# Efficiency Performance Contracting

## Reducing Wastes and Costs through Innovative Supply Contracts

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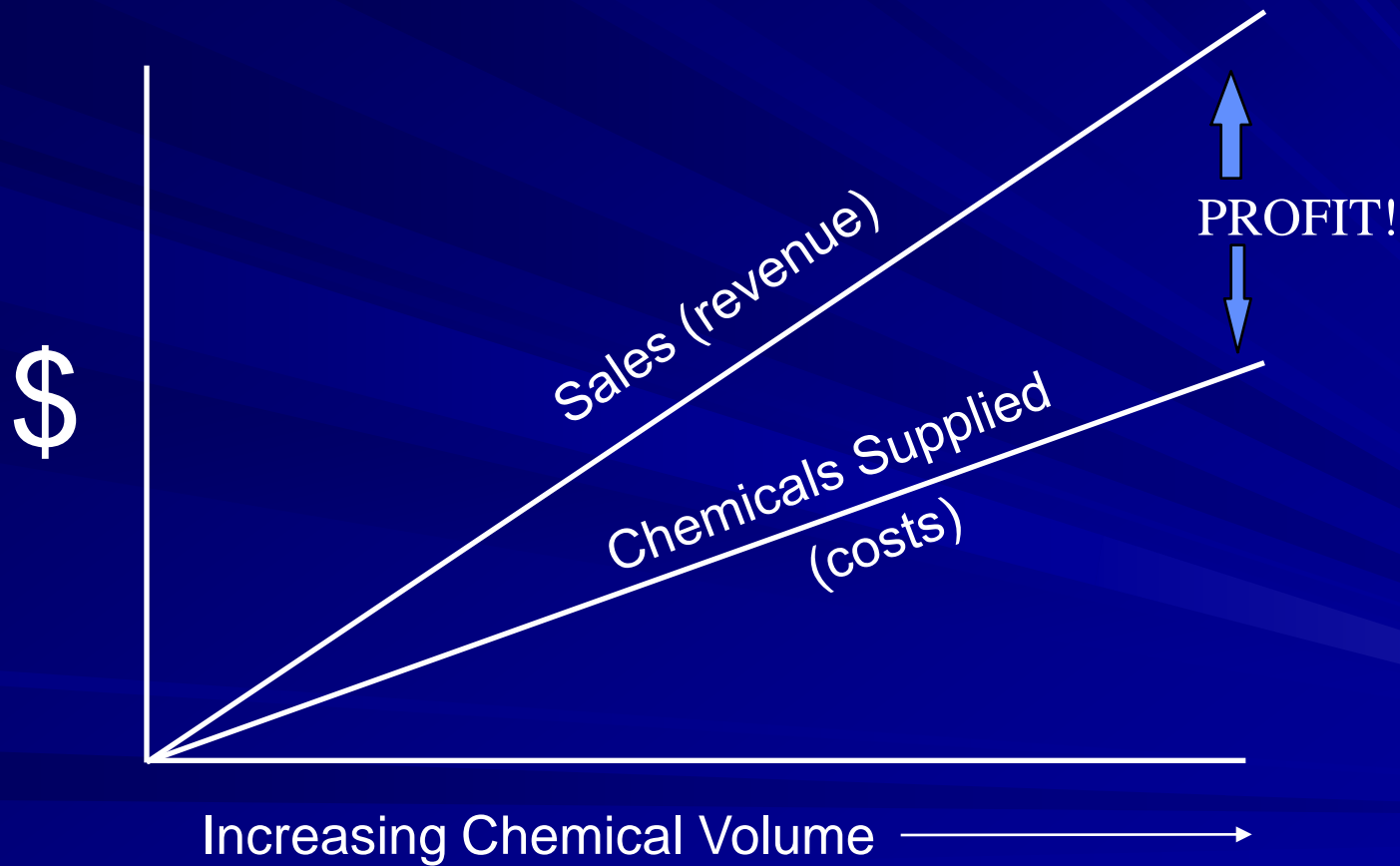
*ISU*

Illinois Sustainable Technology Center  
Sept 9, 2009

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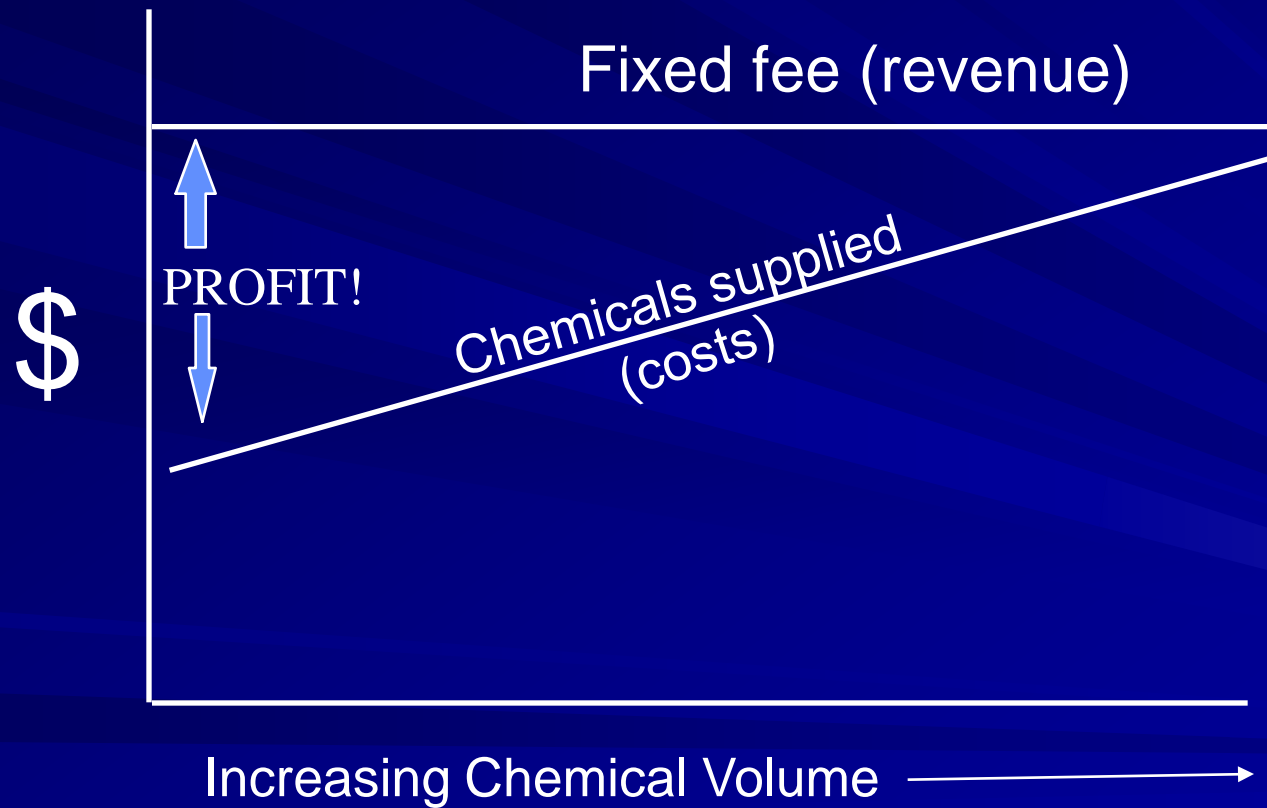
# Traditional Chemical Supply

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# *Chemical Management Services (CMS)*

*iSU*



Another important feature...

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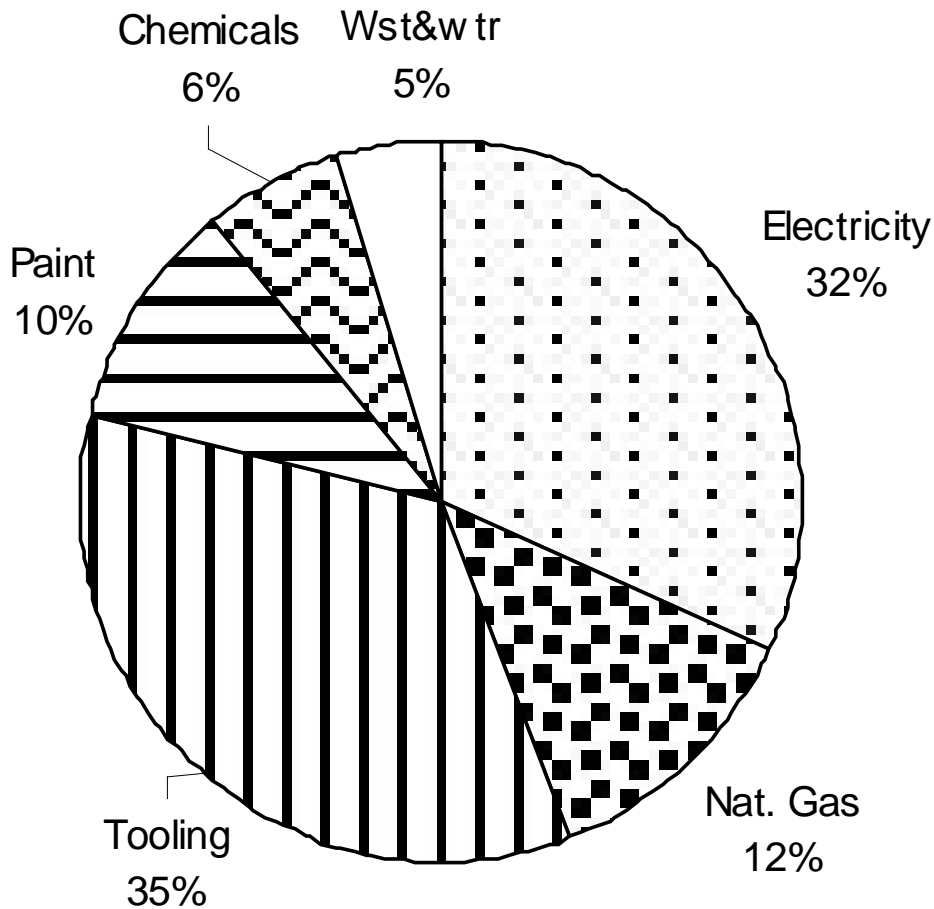
# Core Competence

*“The key skills or knowledge needed to build and maintain a competitive edge.” (Quinn 1994).*

Many technologies lie outside the core competence of the business, so time and money go elsewhere.

# Manufacturing SME

## Typical Spend in Key Non-Core Areas



Total spend:  
\$0.5 – \$2 million/yr

Energy spend:  
\$0.2 – \$0.9 million/yr

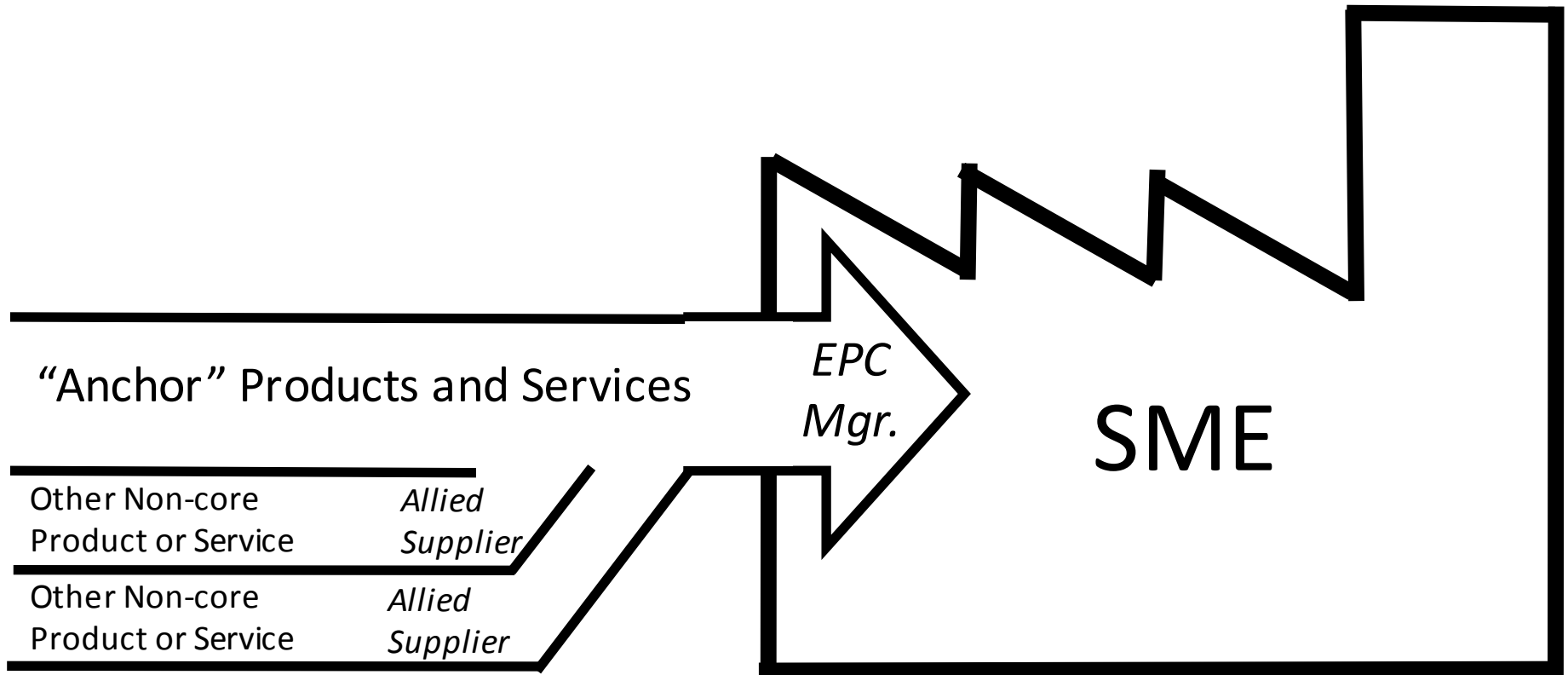
# Question...

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**Can multiple spends be grouped under one supplier (or alliance of suppliers) to support an efficiency performance contract?**

# General structure of an efficiency performance contract (EPC) for small and medium enterprises (SMEs).

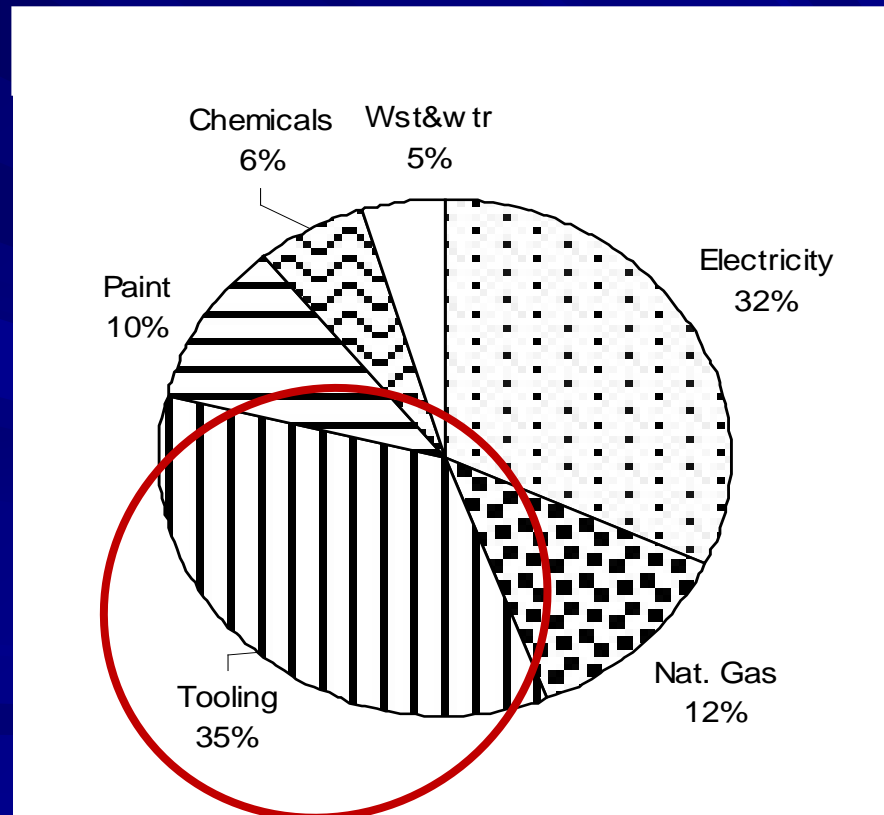


# Candidates

*iSU*

Tooling – plus chemicals and possibly electricity.

Tooling  
Management  
Contracts



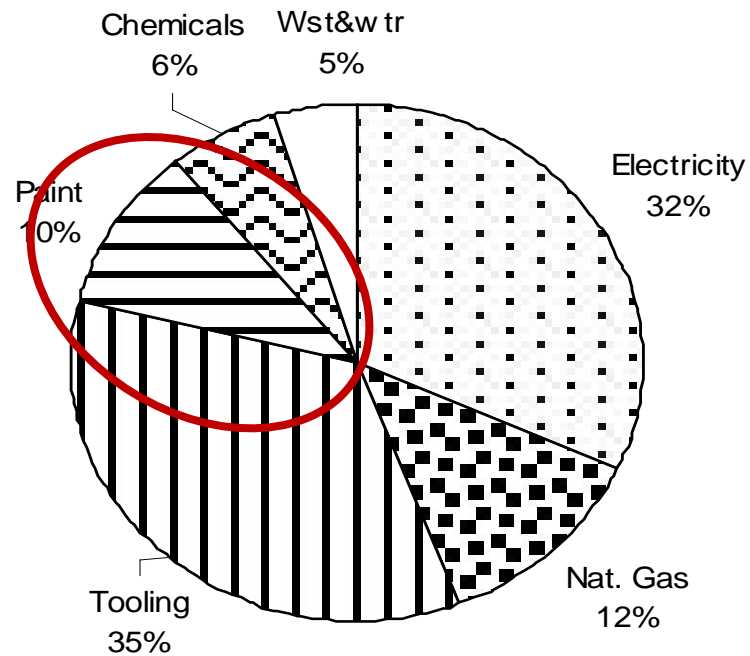


# Candidates

*iSU*

Paint – plus chemicals and possibly natural gas.

Paint  
Management  
Contracts

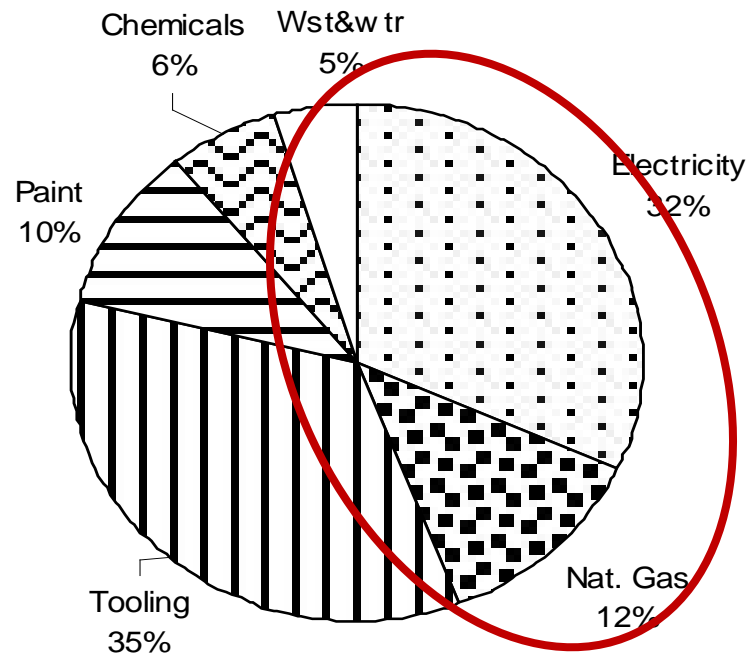


# Candidates

*iSU*

## Energy

## Energy Management Contracts



# *Our Research*

*with Dan Marsch of ISTC*

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*iSU*

Work with SMEs and suppliers to  
initiate pilot projects.

# Results

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*iSU*

Tooling management very successful, but not able to expand into chemicals.

Paint management – suppliers were not sufficiently interested.

Energy management still promising.

# Plant A

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*iSU*

Metal products fabricator for auto industry.

Employees: 120

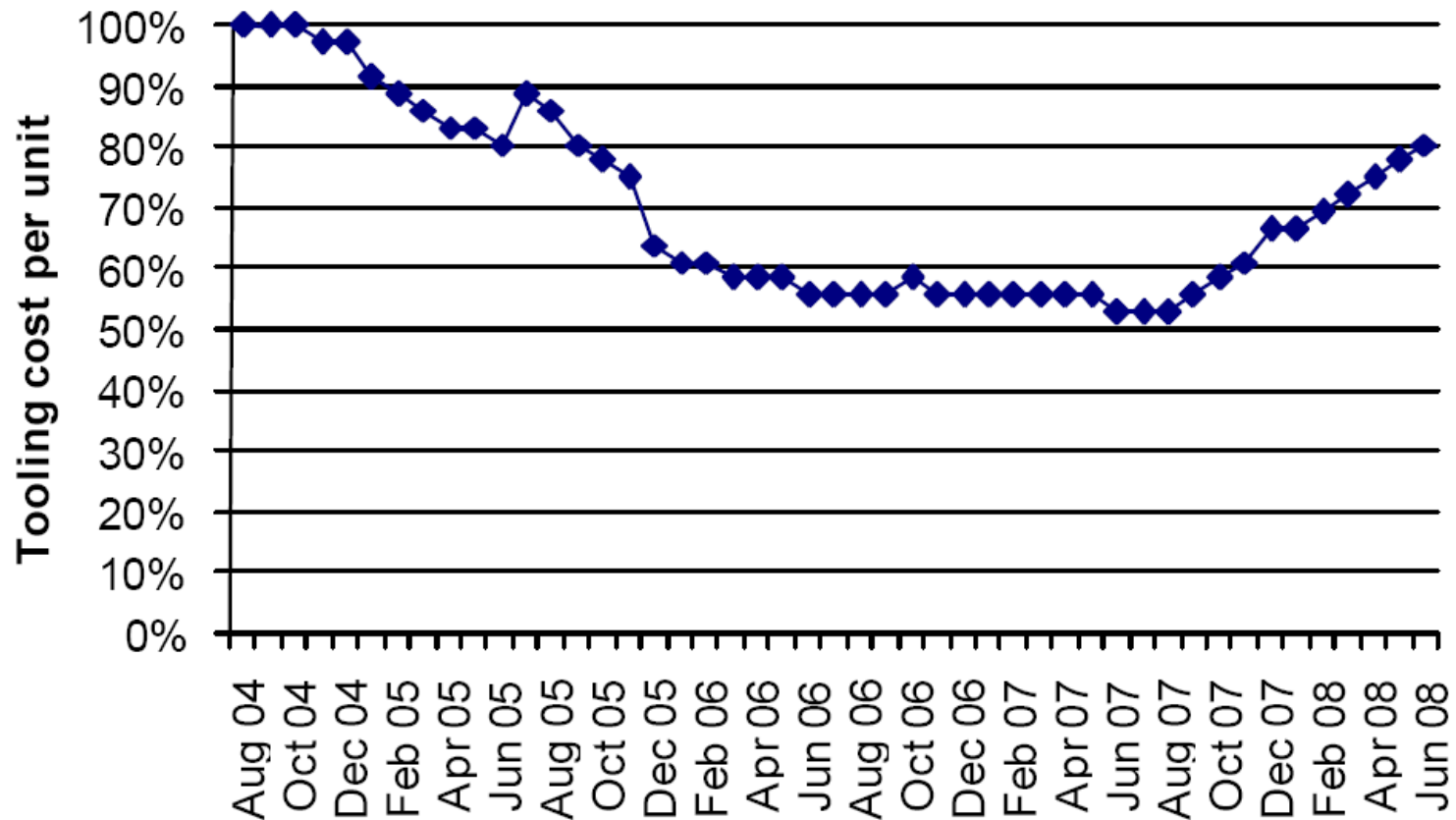
Square footage: 130,000

Tooling management successful

Incorporating coolant was not.

# Plant A – Tooling management

Figure 6. Moving yearly average tooling cost-per-unit produced under the tooling management program (August 2004 is baseline).



# Plant B

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*iSU*

Metal products fabricator for heavy equipment industry.

Employees: 450

Square footage: 125,000

Tooling management successful  
Incorporating coolant was not.

# Plant C

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*iSU*

Metal products fabricator for heavy equipment industry.

Employees: 35

Square footage: 40,000

Tooling management good start.

Then plant closed.



# Plant D

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*iSU*

Metal products fabricator for heavy equipment industry.

Employees: 400

Square footage: 225,000

Tooling management pursued

But chose 2 suppliers, included no efficiency incentives.

# Results

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*iSU*

Tooling management very successful, but not able to expand into chemicals.

Paint management – suppliers were not sufficiently interested.

Energy management still promising.