



Implementation example for the CFIT Commitments

“We share hardware through combining private / work use where relevant” and “We operate behavioural mechanisms for care and ownership and protect products adequately”



Use better



Use longer

Case study

Renting smartphones and keeping the same model for the duration of the contract

Viken County | Norway
Based on 2021 tender

Impact categories:



Product categories:



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This case illustrates elements of the following CFIT Commitments:

- We share hardware e.g. through digital services and combining private / work use where relevant.
- We operate behavioural mechanisms for care and ownership and protect products adequately.
- *The purpose of this series of cases is to illustrate what the implementation of commitments of the CFIT framework for circular and fair procurement of ICT can look like. Please note that these case descriptions focus on one element of a tender or process which generally includes many more sustainability requirements.*

Renting smartphones and keeping the same model for the duration of the contract

Introduction

In 2021, the procurement department of Viken County launched a call for tenders for the acquisition of smartphones, with associated accessories and services. The intended outcome of this call was a framework contract for the supply of about 16 800 smartphones to Viken County, the high schools under its jurisdiction, and 25 participating municipalities [1]. The contract with the supplier runs for two years, with the option of two one-year extensions, and has an estimated budget of 200 million NOK (19,6 million euros) for the whole four-year period.

Viken County required bidders to offer two options: the traditional purchase of smartphones as well as a new rental option. In addition, the supplier has to set up an online platform or webshop where personnel can select and order devices.

The call for tenders included strict environmental criteria to reduce consumption of energy and resources, and put special emphasis on the durability, reparability and longer use of the products. An important element of this tender is to ensure a longer lifetime for smartphones. This is important, given the fact that the majority of environmental impacts (about 80%) in the life cycle of a phone takes place in the production stage. The aim of including these criteria in the call for tenders was on the one hand to extend the period of use within the organisation, and on the other to incentivize the supplier to sell the phones again as second hand or refurbished products after they were handed in.

About Viken

The County of Viken includes a total of 51 municipalities and hosts about 1,2 million inhabitants (representing 23% of Norway's population)[1]. Viken County's main responsibilities include the management and oversight of the county's roads and public transport, high schools and dental clinics, natural areas as well as culture and cultural heritage[2].

Viken County invited all municipalities within the county to participate in the framework contract, to pull demand and have a bigger impact on the market. Of the 51 municipalities in the region, 25 decided to participate.

This document highlights those criteria aimed at prolonging the time of use of devices by extending the contract period, discouraging early replacements, and encouraging reuse after the contract ends.

With this approach Viken County has implemented CFIT's Use Longer strategy to help optimize product lifetime and reduce the carbon impact of ICT products, which are two of CFIT's central ambitions.

What was implemented?

First of all, Viken County included the following two options in the framework agreement:

- 1) The conventional purchase of smartphones, as applied previously by the county and which is preferred by many of the participating municipalities;
- 2) A new renting model, introduced by the county for all their employees as well as for the high schools under its jurisdiction.

The latter requirement was included as follows:

Rental

The bidder must be able to offer rental (operational leasing) for offered products and services. The bidder is asked to describe how to establish and manage a lease agreement with dynamic extraction of equipment via a self-service portal. The client emphasizes:

1. Mission understanding.
2. Simple routines for employees and the client when renting products.

Replacement unit (rental) - introduction

This text describes what the client is aiming for and sees as desirable. In the technical specification (section 4.8) we state some minimum requirements. In the award criteria (section 4.9), we ask for the bidder's description of their solution, and those closer to our wishes will receive more points.

The client wants to motivate the end user to take care of the smartphone. We believe that the end user has the right motivation if they keep the same unit for the entire 3-year rental period. We can achieve this by focusing on repairing devices, when possible.

There are cases where the cost of repair exceeds the price of replacing the device. Then we want the end user to receive an identical or similar device, preferably used ("refurbished"). The same applies to a lost/stolen smartphone. Although we do not suspect our employees of "losing" their mobile phone to get a newer model, we believe that the temptation is removed by the fact that the replacement unit is the same model as the one you originally had. In the case of a rental agreement, the replacement unit will be returned at the time of the end of the original rental agreement.

Of course, replacing a phone isn't free. Under 4.9, the bidder is asked to describe his solution with the associated cost.

The replacement unit may be a different colour than the original. The replacement telephone may be used ("refurbished"). If the supplier does not have an equivalent device, the supplier can offer more storage capacity and/or a better model at the same price. The replacement unit is supplied with protective glass and cover/casing if this is missing.

We envision the replacement device to be the end user's smartphone for the remainder of the original lease term. So, if you have unit A for 1 year and lose it, you will use the replacement unit for the remaining 2 years. The client wants the rental amount to be the same for all 3 years.

Replacement unit specification (4.8)

If a rented unit is lost or it is not worth repairing, a replacement unit must be offered.

- 1. The cost of a replacement unit must not exceed the sum of the remaining rental amount + residual value.*
- 2. The rental amount/monthly amount must remain unchanged throughout the rental period.*
- 3. The end user must receive a replacement unit within 5 days of registration.*

Replacement unit award criteria (4.9)

The provider is asked to describe their solution if a rented unit is lost or it is not worthwhile to repair it.

Another way to encourage longer usage is the addition of a buy-out option for employees. At the end of the rental period, the phones are returned to the contractor. As the technical lifespan of mobile phones is about six years, the three-year take-back encourages service providers to find channels to resell them, thus expanding the usage period of the devices. Adding a buy-out option allowing employees to buy their phones for personal use is one way to put this into practice:

Buy-out specification

The supplier is asked to describe a solution for exemption from an agreement, e.g. at the end of employment or at the end of the lease period. Clients emphasize:

- 1. Agile solution.*
- 2. High degree of automation.*
- 3. Possibility of communication and settlement / payment directly with the employee.*

The fact that all devices included in the tender are dual-SIM, makes this option even more attractive. Employees can use the same phone for their private/home number and do not have to buy separate private phone. They can also choose a high-end model with additional capabilities (at their own expense, the extra fee is deducted from their salary), which could make it more tempting to keep the phone once the rental agreement finishes. The buy-out option facilitates this.

Finally, as phones will show signs of wear after the 3-years use, Viken County included provisions for higher tolerance and better return / buy-back conditions for both rented and purchased phones:

Wear specification

Smartphones must be able to be returned with wear and tear that is to be expected after 3 years of normal use during and outside working hours. The supplier must accept minor scratches in the glass and other minor wear and tear damage. The key factor in the assessment is that the wear and tear does not prevent normal use. This applies to both purchase and rent.

End state award criteria

The client wants the greatest possible tolerance for faults and damage to smartphones that are returned after 3 years. The bidder is asked to describe the requirements for smartphones that are returned after 3 years of use (purchase) or after the end of the rental period in excess of the minimum requirement above. Describe what is accepted by e.g. scratches, dents and damage. Describe costs associated with damage/defects to submitted equipment (grading).

The client emphasizes:

- 1. Flexibility and agile routines.*
- 2. Tolerance for errors/deficiencies – the unit's expected condition (normal wear and tear).*

A higher expected state will give a lower score, and a lower expected state will give a higher score. The tenderer's response to this criterion is used as a basis for buyback as stated in the price form.



How was it put in place?

- Viken County started to prepare the call for tenders 12 months in advance to ensure there was enough time for:
 1. Internal consultations with high school representatives and the county's municipalities about their needs and interest in participating in the framework contract.
 2. A market analysis and consultation to assess current and innovative options for more efficient procurement and management of smartphones within the organisation.
 3. Meetings with other counties about their solutions and experiences.
- The procurement documents were written by a project team with representatives from Viken's procurement and ICT departments and several high schools under the county's jurisdiction.
- One of the dimensions explored was how to prolong the use of the devices both within and beyond the contract period, which is key from an environmental point of view. Among the aspects examined were the possibility of renting instead of buying the phones, main conditions for their return/buy-back and clauses to decouple phone replacement when new products enter the market.
- Switching from buying to renting devices required time, effort and internal discussions to convince decision makers of the benefits of exchanging the customary management model for the new one.
- The procurement department conducted a market analysis and consultation to determine the specific requirements. Five companies responded. One of the aspects examined was the possibility to purchase used ("refurbished") phones instead of new ones. However, as the market for such products is not big enough yet, Viken County decided to buy new products and promote their return for reuse to enlarge this market.

- Regarding the provision that a replacement phone must be of the same make and model as the original one, one of the companies noted that this might prove difficult as time passes, as they might no longer be available on the market. However, from Viken's perspective this provision will motivate suppliers to participate more actively in the reused market and contribute to a more circular economy. The provision was therefore retained. The company in question did submit a tender, assuming the possible financial risk.
- Some municipalities preferred to carry out their own procurement. Viken County made the call for tenders available to these municipalities as a model for their own procurement, hoping to create a multiplying effect.
- After completing the procurement process, the procurement team has invested time in helping staff understand the dual-SIM feature and its benefits from a circular and convenience point of view, in order to encourage employees to use only one phone instead of having one for work and another for private use.

Who was involved?

- Viken County's procurement department was responsible for the tender preparation, market consultation and managing the contract for the county and the high schools under its jurisdiction.
- The ICT-department was an important internal stakeholder and participated in defining the tender documents as well as implementing and deploying the phones.
- Several high school representatives participated in the team that was writing the tender documents.
- Five companies responded to the market consultation.

What were the outcomes and lessons learned?

Outcomes

- Despite the market consultation, only two companies submitted a tender, which is less than for the previous call for tenders. Viken County attributes this to overall changes and additional requirements that have increased risks for suppliers. This possibly discouraged some of them to participate, especially if they have not yet adapted their business models to more circular practices (repairs, buy-back, etc.). For instance, the new replacement conditions makes vendors assume most of the financial risk in case it is no longer possible to replace a phone with the same make and model and they have to provide a newer model at the price of the original one.
- At present, it is too early to determine the actual sustainability benefits of the requirements introduced. However, Viken County does expect early benefits in the form of reduction of overall consumption and reduced costs. Employees used to receive new phones every two years, and it was not compulsory to return them. The new agreement (3-year rental, compulsory return unless buy-out and provision of the same model in case of replacement) is expected to produce the desired benefits.
- On a different note, the rental option has been highly appreciated by high school managers, as it allows them to spread the costs and avoid peak expenditure due to upfront costs in the purchase model.
- So far, more than half of the employees have opted for the extra fee to acquire a pro model. The procurement department hopes that by offering value for money for the employees they will get a phone they really like and will be discouraged to buy a second one for their personal use.

Lessons

- An early start is essential when introducing new ownership arrangements and sustainability criteria. It generates time for the necessary internal and external consultations. This helps to reduce challenges, prepare the market and allows for adjustments to the tender when required.

- The long contract term of up to seven years (four for the framework contract plus the 3-year service after each contract year) provides stability to suppliers. This counterbalances those risks and makes the tender attractive, especially for non-brand owners.
- A fixed coordination schedule between the contractor and the contract manager (weekly) and the head of the procurement department (monthly) ensures proper contract management and the possibility to address any problems early on. It also helps pushing suppliers to offer new models with specific sustainability characteristics, such as the Fairphone, as well as reused phones to Viken's employees in the future.
- Based on how the contract works in practice, the organisation will reassess the distribution of risks between employee, contractor, and contracting authority and may introduce modifications in future tenders accordingly.
- The actual benefits of renting instead of buying will be analysed to support the introduction of product-as-a-service models for other ICT equipment, such as computers.

References:

[1] See published notice in the EU Tenders Electronic Daily platform ([265409-2021](#)) and in the Norwegian public procurement information platform ([2021/26459](#)).

[2] [Viken County \(n.a.\) Living in Viken. Knowledge base for a sustainable future.](#)

[3] [Viken county municipality's map portal.](#) Consulted on August 12, 2022.

Disclaimer:

This case has been described to provide inspiration. If, after careful reflection, this example offers added value to your procurement practises, adapt it to fit your organisation and make sure it is compliant with the applicable rules and regulations for procurement.