

MEETING DATE: July 14, 2004

SUBJECT: Procurement Authorization - Supply Of Office Supplies, Technical Supplies And Copier Paper For A Three-Year Term

RECOMMENDATION

It is recommended that the Commission approve the issuance of a Purchase Order in the total upset limit amount of \$4,100,000 to Corporate Express Canada Ltd. for the supply of office and technical supplies and copier paper for a three-year period from August 1, 2004 to July 31, 2007.

FUNDING

Sufficient funds are included in the 2004 Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

At its meeting of June 20, 2001, the Commission approved the award of a system contract to Grand and Toy for the supply of stationery and office supplies for a three and one-half year period from July 1, 2001 to December 31, 2004. At its meeting of May 14, 2004, the Commission approved an amendment to increase the upset limit of the contract by \$250,000 and to have the contract expire on July 31, 2004 as staff concluded that if a new Request for Proposal was issued at this time, it was likely that significant discounts would be offered by the other nation-wide suppliers based on our large volume purchases.

DISCUSSION

Twelve companies were invited to submit proposals in addition to the public advertisement on the TTC website on April 5, 2004, out of which twelve companies submitted proposals as summarized on the attached Appendix A.

The Request for Proposal (RFP) separated the requirements into three groups covering the supply of Office Supplies, Technical Supplies and Copier Paper for a three-year period to approximately 120 TTC locations through the City. The RFP allows the Commission to award these groups together, separately or in any combination depending on bid results.

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Proponents were requested to submit pricing on shopping basket items for three groups; Office Supplies (315 items representing approximately 55% of group expenditures), Technical Supplies (132 items representing approximately 85% of group expenditures, e.g. toner cartridges for printers/photocopiers, data storage discs, Typewriter ribbons, etc) and Copier Paper (15 items representing approximately 90% of group expenditures). The quantities identified for each item in the shopping baskets were based on actual historical usage over a one-year period.

Proponents were provided two pricing options for Office and Technical Supplies; Option A requested

firm pricing for 3-years for shopping basket items and percentage discounts (firm for the contract) off the prevailing catalogue prices for off-shopping basket items, and Option B requested percentage discounts (firm for the contract) off the prevailing catalogue prices, with prices for the shopping basket items (only) subject to adjustment for years 2 and 3 based on changes to the Consumer Price Index for Toronto (CPI).

For evaluation purposes, discounts for shopping/off-shopping basket items were applied to current catalogue pricing, since catalogue pricing varies between the proponents and proponents' pricing for Option B for Office and Technical supplies were adjusted for year 2 and year 3 based on the forecast changes for CPI.

Copier Paper had only one pricing option due to its volatility in the marketplace. Proponents were requested to provide percentage discounts (firm for the contract) applicable to the current catalogue prices for the shopping basket items for paper. Thereafter, any proposed price increases/decreases must be substantiated in writing by the mill supplying the paper.

Proponents were also required to submit details of its on-line ordering system, a copy of their current product catalogue, an implementation plan for the contract, financial statements, details of their systems, warehouse facilities, distribution procedures, etc.

Of the twelve proposals received; 4 companies submitted proposals for the Office Supplies, 10 companies submitted proposals for the Technical Supplies and 8 companies submitted proposals for Copier Paper. Four of the twelve proponents (Corporate Express, Lyreco Office Products, Basics Office and Grand & Toy) submitted proposals covering all three groups and these four were the only proponents that bid on Office Supplies and also the only proponents to offer rebates. These rebates were considered in the evaluation.

Proposals for all Three Groups

Corporate Express submitted the lowest overall pricing for all three groups and priced all shopping basket items. They bid on Option A only (firm pricing for 3 years) for Office and Technical Supplies and stated a qualification that they would require the award of Office Supplies at the minimum for their pricing to remain valid. They also offered rebates that would result in savings totalling approximately \$147,000 based on the award of all three groups. (See Appendix 'C' for details of rebates offered by all proponents).

Staff visited Corporate Express' warehouse/distribution facility and consider that they are capable of performing the work in a satisfactory manner. They provided all of the submission requirements and are considered commercially compliant.

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Staff compared Corporate Express' proposal for all three groups with the total comprised of the lowest compliant price submitted for each individual group (i.e. Lyreco for Office Supplies and Technical Supplies and Grand & Toy for Copier Paper) and Corporate Express' total price for all three groups was approximately \$17,000 lower. Therefore Corporate Express is recommended for the award in the upset limit of \$4,100,000, which includes a 20% allowance for variation in usage over the three-years of the contract.

A price comparison with the current contract revealed an overall decrease of approximately 21% in year one of the contract. Pricing is firm for the contract term for the shopping basket items for both Office and Technical supplies and off-shopping basket pricing for year two and year three will be based on the discount applied to their current catalogue pricing.

Lyreco Office Products (Lyreco) submitted the second lowest overall pricing and quoted on Option B (discounts off catalogue pricing) for both Office and Technical Supplies. They did not quote on 6 items in the Office Supplies shopping basket and for evaluation purposes, staff used the highest price for these 6 items from the other proposals in evaluating Lyreco's proposal (items totaled approximately \$6,000).

Lyreco stated one qualification, that they will not accept a Technical Supplies contract only and submitted rebates that totalled an estimated \$178,000 based on the award of all three groups. Staff visited their warehouse/distribution facility and considers them acceptable. They provided all of the submittal requirements and their proposal is considered commercially compliant.

Basics Office Supply (Basics) submitted the third lowest overall pricing and quoted on all shopping basket items for all three groups. They quoted on both Option A and Option B for both Office and Technical Supplies and offered a one-time credit of \$50,000 if awarded all three groups. Basics did not state any exceptions or qualifications and their proposal is considered commercially compliant.

Grand & Toy Ltd. (Grand & Toy) submitted the fourth lowest overall pricing for all groups and priced all items. They bid on Option B for both Office and Technical Supplies and offered only one rebate consisting of a one-time credit of \$50,000 if awarded all three groups. Grand & Toy did not state any exceptions or qualifications and their proposal is considered commercially compliant.

Proposals for Technical Supplies

Regarding Technical Supplies, Corporate Express submitted the lowest pricing, but they require the award of office supplies at a minimum and will not accept a stand-alone Technical Supplies contract. The next lowest four proponents (Laser Recharge, Contact Media, QRX and Axidata) did not provide all the submission requirements (e.g. details of on line ordering system, detailed contract implementation plan, product catalogue, financial information, etc.) and therefore, are considered non-compliant.

The lowest compliant proposal for Technical Supplies (alone) was submitted by Computer Media Group who had the sixth lowest priced proposal. They priced all the items and did not state any exceptions or qualifications and their proposal is considered acceptable.

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Proposals for Copier Paper

Regarding the Copier Paper group, Grand & Toy submitted the lowest proposal pricing and did not state any exceptions. Xerox Canada, Buntin Reid and Contact Media submitted the second, third and fourth lowest proposals, respectively, however none of these companies provided all the submission requirements (i.e. details of its on-line ordering system, a detailed implementation plan, etc.) and neither Xerox or Buntin Reid can provide desk-top delivery to various locations and therefore, these proponents were considered non-compliant.

Joint Contract with City of Toronto

Staff reviewed combining TTC's requirements with those of the City of Toronto and identified significant differences in the way each contract is awarded for their respective requirements. The City separately tenders and awards each of the Office Supplies, Technical Supplies and Paper and each contract has a different termination date. Further the City awards two contracts for Office Supplies; one is for direct delivery of brand name items to each requestor and the other is for the City to warehouse off-brand/house-brand products for subsequent delivery to each requestor. Technical Supplies and Paper are delivered to 3 main City warehouse locations and then separated and delivered to each user department requestor. Also the City does not have any rebate programs for any of its contracts for these requirements.

The TTC combines its requirements into a single RFP and requires delivery of all requirements to 120 locations. In addition, based on information obtained from the potential bidders, the TTC's contract is considered large enough that the companies are able to offer their best pricing/discounts based on the nature

of the TTC's contract and further, by combining the requirements, the bidders are willing to offer substantial incentives to receive office supplies plus one of the two other groups (i.e. technical supplies and copy paper).

In any event, prior to the renewal of this contract, staff will investigate the feasibility and benefits of combining the TTC's and City's requirements into a single RFP/RFP's and report to the Commission prior to the issuance of a future RFP for this requirement.

JUSTIFICATION

Approval of this report will ensure the uninterrupted supply of office supplies, technical supplies and copier paper for staff's requirements for a three-year period.

June 30, 2004

9-57-57

Attachment – Appendices 'A', 'B', 'C'

APPENDIX 'A'
PROPOSAL SUMMARY
SUPPLY OF OFFICE SUPPLIES, TECHNICAL SUPPLIES & COPIER PAPER FOR 3 YEARS

PROPONENTS	OPTION	OFFICE	TECHNICAL	PAPER	TOTAL PRICE	REBATES	TOTAL EVALUATED PRICE (LESS REBATES)
CORPORATE EXPRESS **	A	\$1,481,208.09	\$1,375,267.84	\$578,615.82	\$3,435,091.75	\$146,916.72	\$3,288,175.03*
LYRECO OFFICE PRODUCTS ***	B	\$1,352,907.04	\$1,541,115.10	\$591,707.39	\$3,485,729.53	\$177,666.74	\$3,308,062.79
BASICS OFFICE SUPPLY	A	\$1,470,005.65	\$1,483,328.34	\$578,945.91	\$3,532,279.90	\$50,000.00	\$3,482,279.90
BASICS OFFICE SUPPLY	B	\$1,769,251.07	\$1,856,071.93	\$578,945.91	\$4,204,268.91	\$50,000.00	\$4,154,268.91
GRAND & TOY LTD	B	\$1,540,802.77	\$1,644,455.00	\$509,505.07	\$3,694,762.84	\$50,000.00	\$3,644,762.84
LOWEST PRICED COMBINATION	B	\$1,352,907.04	\$1,541,115.10	\$509,505.07	\$3,403,527.21	\$98,741.70	\$3,304,785.51
COMPUTER MEDIA GROUP	B	-	\$1,482,336.64	-	\$1,482,336.64	N/A	\$1,482,336.64
LOWEST (APPARENT) PRICE FOR EACH GROUP	B	\$1,352,907.04	\$1,482,336.64	\$509,505.07	\$3,344,748.75	\$33,000.00	\$3,311,748.75
<u>COMMERCIALY NON-COMPLIANT PROPOSALS</u>							
XEROX	-	-	-	\$537,205.66	\$537,205.66	N/A	\$537,205.66
BUNTIN REID	-	-	-	\$548,589.47	\$548,589.47	N/A	\$548,589.47
CONTACT MEDIA	A	-	\$1,398,376.49	\$572,049.32	\$1,970,425.81	N/A	\$1,970,425.81
AXIDATA	A	-	\$1,443,308.14	\$897,261.17	\$2,340,569.31	N/A	\$2,340,569.31
AXIDATA	B	-	\$1,403,949.94	\$897,261.17	\$2,301,211.11	N/A	\$2,301,211.11
LASER RECHARGE	A	-	\$1,396,297.82	-	\$1,396,297.82	N/A	\$1,396,297.82
QRX	B	-	\$1,403,004.39	-	\$1,403,004.39	N/A	\$1,403,004.39
LASER ENVIRONMENT	A	-	\$1,514,273.17	-	\$1,514,273.17	N/A	\$1,514,273.17
LASER ENVIRONMENT	B	-	\$1,545,780.15	-	\$1,545,780.15	N/A	\$1,545,780.15

* Recommended for award of Office and Technical Supplies & Copier Paper. Corporate Express' total price is approximately \$17,000 lower overall including the impact of rebates than the next lowest compliant priced combination (i.e. Lyreco for Office & Technical Supplies and Grand & Toy for Copier Paper) and approximately \$24,000 lower overall including the impact of rebates than the next lowest (apparent) compliant price for each group (i.e. Lyreco for office, Computer Media for

Technical and Grand & Toy
for Copier Paper)

** Prices are only valid if they are awarded the Office Supplies at the minimum

*** Will not accept an award of a stand-alone Technical Supply contract

**APPENDIX B
SUMMARY OF DISCOUNTS
SUPPLY OF OFFICE SUPPLIES, TECHNICAL SUPPLIES & COPIER PAPER FOR 3 YEARS**

OFFICE AND TECHNICAL SUPPLIES

PROPONENT	SHOPPING BASKET ITEMS	OFF-SHOPPING BASKET ITEMS			COPIER PAPER
		OPTION (1)	LIST PRICE	NET (2)	DISCOUNTS
Corporate Express	firm pricing	A	58%	10%	32.81% to 73.70%
Lyreco Office Products	23% to 78%	B	55%	5%	69% to 78%
Basics Office Supply	firm pricing	A	62%	15%	15%
Basics Office Supply	15% to 62%	B	62%	15%	15%
Grand & Toy	27% to 85%	B	65%	12%	49% to 71%
Computer Media	(3)	B	25%	(3)	-
<u>COMMERCIALLY NON-COMPLIANT PROPOSALS</u>					
Xerox	(3)	-	-	(3)	(3)
Buntin Reid	27% to 57%	-	-	(3)	(3)
Contact Media	firm pricing	A	15%	(3)	(3)
Axidata	firm pricing	A	Cost + 15%	(3)	40%
Axidata	40%	B	Cost + 15%	(3)	40%
Laser Recharge	firm pricing	A	0%	(3)	-
Qrx	(3)	B	0%	(3)	-
Laser Environment	firm pricing	A	2%	(3)	-
Laser Environment	(3)	B	2%	(3)	-

(1) Option A and B apply to Office and Technical Supplies only.

(2) "NET" items are those marked as "NET" in each proponents catalogue.

(3) Offered no discount off the proposed shopping basket pricing.

APPENDIX 'C'

DETAILS OF REBATES

Corporate Express:

- 7% of total sales for the initial three-month period of the contract;
- 1% of total annual sales if more than 80% of annual sales are received through electronic ordering;
- 2% of total annual sales if 90% of annual orders have an average value of \$50 or greater.

Lyreco:

- 15%, 10% and 5% rebate on the total expenditure for each of the first, second and third month of the contract, respectively;
- 1% of total annual sales if more than 80% of annual sales are received through electronic ordering;
- 1% of total annual sales if 80% of total annual orders have an average value of \$70 or greater;
- 1.5% if total annual sales are greater than \$1,200,001.

Basics:

- one time rebate of \$50,000 if all three groups awarded.

Grand & Toy:

- one time rebate of \$50,000 if all three groups awarded.

Notes:

1. Where applicable, rebates were calculated based on estimated annual expenditures of approximately \$1,370,000 for all three groups.
2. Rebates for minimum orders and electronic ordering are in place under the current contract with Grand & Toy and staff is processing approximately 82.5% of orders electronically and 95% of orders are over \$50.

