

**MEETING DATE:** JULY 19, 2006

**SUBJECT:** Procurement Authorization - Supply Of Miscellaneous Electronic Components

### **RECOMMENDATION**

It is recommended that the Commission approve the issuance of a purchase order to Newark In One in the total upset limit amount of \$4,250,000 for the supply of miscellaneous electronic components for a three year period from August 1, 2006 to July 31, 2009.

### **FUNDING**

Sufficient funds are included in the 2006 Operating Budget as approved by the Commission and will be included in future Operating Budgets as required.

### **BACKGROUND**

The Commission currently has a multi year contract for the supply of miscellaneous electronic components which expires on July 31, 2006 with Electro Sonic Inc. A new contract is required to cover on-going maintenance requirements.

The nature of this contract is the supply of electronic components such as capacitors, circuit breakers, connectors, terminals, relays, resistors, semiconductors, transformers, wire and cable for the maintenance of revenue vehicles, shop equipment, signals and communications systems.

In May 2005, staff issued a Request for Proposals (RFP) for the supply of electronic components based on requesting pricing for a small shopping basket of items as well as discounts off the published price lists for a list of manufacturers. During the evaluation of the bids it was determined that the bidders were unable to provide pricing based on discounts from manufacturers' list prices since not all manufacturers had published list prices as a number were considered confidential and not available to the public. Further, some suppliers used US price lists and other Canadian price lists to determine pricing. As a result, the bids could not be evaluated and the RFP was cancelled. Staff subsequently met with a number of suppliers as well as other companies to determine the best method to bid this requirement that suits the Commission's requirements and to complete the RFP process.

### **DISCUSSION**

Fourteen companies were invited to submit proposals in addition to the public advertisement on the TTC website on April 13, 2006 out of which five companies submitted proposals, as summarized on the attached Appendix 'A' (All pricing is based on GST at a 6% rate).

Proponents were requested to submit firm pricing on a list of 567 items (Price Schedule A) with estimated quantities, which represents approximately 30% of the total expenditures. Proponents were also required to submit firm mark-ups on the cost of products from a list of 142 manufacturers based on an estimated annual expenditure per manufacturer (Price Schedule B), which represents approximately 70% of the total expenditures. As part of Price Schedule B, proponents were also required to submit a single blended mark-up that would apply to all other manufacturers not listed in Price Schedule B. For both Price Schedules A and B, proponents were required to provide pricing on a minimum of 80% of the respective items/manufacturers that represent 80% of the respective estimated values of each Price Schedule.

In order to be considered qualified, a proponent would be required to provide information to verify that

they can provide the following services: delivery directly to a number of separate user cost centres, customized invoices and packing slips, delivery within 24 hours of notification and within 2 hours of notification for rush requests, technical support, and the supply of various standard monthly reports (e.g. monthly usage reports by cost centre) as well as custom reports as required.

Hesco Electric Supply (Hesco) submitted the apparent lowest proposal; however they failed to acknowledge that addenda 1 and 2 formed part of the proposal, which is unacceptable. Further, they provided pricing for only 119 or 20% of the 567 items in Price Schedule A and failed to submit any pricing for Price Schedule B. Their proposal is considered commercially non compliant and unacceptable.

CEA Telecom Inc. (CEA) submitted the apparent second lowest proposal price; however they provided pricing for only 367 items or 65% of the 567 items in Price Schedule A and provided mark-ups on only 13 or 9% of the 142 manufacturers listed in Price Schedule B. They did not meet the minimum pricing requirements and as a result, their submission is considered commercially non compliant and unacceptable.

Electro Sonic Inc. (Electro Sonic) submitted the third lowest proposal and provided pricing for 537 or approximately 95% of the 567 items Price Schedule A. They indicated that six of the items not priced have been discontinued and are no longer available and offered alternatives for 3 of these items, which were not considered during the evaluation. They also offered alternative pricing for the other 24 items in Price Schedule A that were not priced as they stated that they could not provide firm pricing due to the high copper content of these items and the volatile price for copper. They offered to supply these items based on a mark-up on the manufacturer's cost as set out in Price Schedule B, but as their alternate pricing for these items was not firm, it was determined as unacceptable and not considered further. They provided mark-ups for all of the manufacturers listed in Price Schedule B. Electro Sonic's proposal is considered commercially compliant.

Newark In One (Newark) submitted the fourth lowest proposal and provided pricing for 562 or 99% of the 567 items in Price Schedule A. Newark provided mark-ups on all of the manufacturers listed in Price Schedule B. Newark's provided the required submission requirements and their submission is considered commercially compliant.

Intrepid Distributors (Intrepid) submitted the fifth lowest proposal and provided pricing on all 567 of the items in Price Schedule A, however they advised that two of the items referenced incorrect part number and they offered pricing based on alternative products. These alternatives were not evaluated and not considered during the evaluation. Intrepid provided mark-ups on all of the manufacturers listed in Price Schedule B and their submission is considered commercially compliant.

None of the three compliant proponents provided pricing for all of the items in Price Schedule A and in order to conduct a fair price comparison to determine the lowest compliant proponent, staff compared the total evaluated prices for those parts that all three of the compliant proponents priced in common (See Appendix A attached). This evaluation revealed that the proposal from Newark represents the lowest total evaluated price and as a result, they are recommended for award.

The pricing submitted by Newark for the items listed in Price Schedule A is approximately 7% lower than the current pricing. In year two the pricing is approximately 2.5% higher than year one and year three pricing is approximately 2.5% higher than year two. Since this is the first time staff has requested pricing based on a mark-up on cost for this contract, a price comparison for this portion of the requirement is not possible.

The recommended upset limit amount includes an allowance of 20% to allow for fluctuations in usage and adjustments to the manufacturer's list pricing over the 3 years of the contract.

## **JUSTIFICATION**

Award of the above contract will ensure the uninterrupted supply of miscellaneous electronic components for the Commission's on-going vehicles and facilities maintenance requirements for the next three years.

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July 5, 2006  
9-118-30/57  
- Appendix - A

**Appendix 'A'**

**SUPPLY OF MISCELLANEOUS ELECTRONIC COMPONENTS**

**PROPOSAL SUMMARY**

<b>PROPONENT</b>	<b>TOTAL PROPOSAL PRICE</b>	<b>TOTAL EVALUATED PRICE</b>
HESCO Electric Supply	\$148,037.00 **	N/A
CEA Telecom Inc	\$1,228,466.43 **	N/A
Electro Sonic Inc.	\$3,437,688.54	\$3,436,464.15
Newark In One	\$3,535,928.58 *	\$3,410,354.05
Intrepid Distributors	\$4,595,190.56	\$4,470,929.74

\* Recommended for Award

\*\* Non-Compliant