

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** December 6, 2007

**SUBJECT:** PROCUREMENT AUTHORIZATION – SUPPLY OF HILTI  
TOOLS AND MATERIALS

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## **RECOMMENDATION**

It is recommended that the Commission approve the issuance of a purchase order for supply of Hilti tools and materials to Hilti Canada Corporation (Hilti) in the total upset limit of \$1,700,000 for a three year term from January 7, 2008 to January 7, 2011.

## **FUNDING**

Sufficient funds are included in the 2008 TTC Operating Budget as approved by the Commission at its meeting of November 14, 2007 and will be included in future budgets as required.

## **BACKGROUND**

The Commission currently has a three year contract for the supply of Hilti tools and materials which will expire on January 6, 2008. The Commission requires specialized tools and equipment (e.g. specialized drills and coring rigs for boring sections, concrete breaker hammers and various products such as anchors and fasteners) to carry out various types of maintenance and rehabilitation on the subway system and structures. Hilti products have been designated as the Commission's standard for this purpose and Hilti is the Original Equipment Manufacturer and the only source of supply for this type of equipment. A new contract is required to provide these products for the next three years.

## **DISCUSSION**

On September 21, 2007, Hilti was requested to submit a proposal for the supply of various Hilti tools and materials on a single source basis for a three-year term with the option to extend for an additional three-year period at the Commission's sole discretion subject to satisfactory performance and successful price negotiations.

The Commission purchases various products based on the Hilti Published Product Catalogues on an "as required basis". In addition, the Commission may require special material and equipment customized for Commission's use.

Hilti publishes a catalogue and a price list annually covering over 5,000 items. Hilti divides their products into various categories (i.e. drilling and demolition, powder actuated fastening, anchoring systems, direct fastening, diamond and anchoring systems, cordless tools, cutting and sanding systems etc.) and further divides these into sub-categories. Hilti was requested to submit the discounts that will remain firm for the contract term that would be applicable to their prevailing catalogue price list for each category/subcategory during the contract.

The catalogue pricing may be adjusted once annually on the anniversary of the contract and the increases for all items, with the exception of the mechanical anchors shall not exceed the percentage change over the last year in the Consumer Price Index (CPI) for Toronto as published by Statistics Canada on Consumer Price Index and Major Components - all items. Pricing for mechanical anchor products and chemical anchors, may be adjusted based on carbon and stainless steel market price fluctuations. However, the percentage increase of the TTC Net Prices shall not exceed the percentage increase over the last year for the Stainless Steel Price Index (for anchors mainly made of stainless steel) and Carbon Steel - Global Steel Price Index (for anchors mainly made of carbon steel) as published on the CRU Steel Price Index website.

Hilti offered discounts ranging from 25% to 75% off their published list prices for equipment and tools. Staff compared the discounts for the current contract with the proposed new discounts offered based on 198 items that are the highest valued items purchased annually during the term of the contract, which represent approximately 90% of catalogue products. The initial comparison with the current contract revealed an overall price increase of approximately 4%.

As a result of subsequent negotiations, staff was able to obtain higher discounts for certain product categories ranging from 30% to 80% resulting in an overall price increase of 3%. The increase is mainly attributed to the rising cost of stainless steel and carbon steel mechanical anchors which represent approximately 21% of the total catalogue product purchases.

Hilti did not state any exceptions or qualifications to the Commission's terms and conditions and Hilti is currently performing this contract in a satisfactory manner. Their proposal is considered commercially acceptable and they are recommended for award for three years, with the option to extend for an additional three-year term.

The recommended upset limit amount includes an allowance of approximately 23% to cover variances between forecasted and actual usage over the three-year term of the contract,

## **JUSTIFICATION**

Award of a contract to Hilti will ensure the uninterrupted supply of Hilti tools and equipment for the on-going maintenance requirements for the next three years.

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