
**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: January 31, 2007

SUBJECT: Procurement Authorization - Supply of Hand And Cutting Tools

RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order for the supply of hand and cutting tools to Hansler Smith Ltd. in the upset limit of \$7,600,000 for a five year period from March 1, 2007 to February 29, 2012.

FUNDING

Sufficient funds are included in the 2007 TTC Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

The Commission currently has a three year contract for the supply of hand and cutting tools which will expire on February 28, 2007. This contract includes the supply of such items as hammers, screwdrivers, sockets, electric powered tools, taps, dies and blades etc. A new contract is required to cover on-going maintenance requirements.

DISCUSSION

A Request for Proposal (RFP) was issued to thirteen known suppliers in addition to a public advertisement on the Commission's web-site on September 25, 2006, out of which four companies submitted Proposals, as summarized in the attached Appendix 'A'.

Proponents were required to submit unit prices for each year of a base three year contract term for a Shopping Basket consisting of 488 hand and cutting tool products based on specified quantities, which represent approximately 70% of the anticipated expenditures. Proponents were required to submit pricing on a minimum of 75% of the items in the Shopping Basket representing approximately 80% of the estimated value of the Shopping Basket. Proponents were also requested to provide optional pricing for the Shopping Basket items for an additional 2 years (years 4 and 5) based on a percentage increase/decrease to the unit pricing. Award of these two optional years would be exercised at the Commission's sole discretion.

In order to establish pricing for items ordered outside of the Shopping Basket, proponents were requested to submit percentage discounts, for the base three year term and the optional years 4 and 5, which would be applied to the published prices of 13 identified manufacturers based on anticipated expenditures for each.

In addition, for one-time and incidental buys, proponents were requested to submit the following pricing: 1)

a single blended minimum percentage price discount applicable to all other manufacturers' published list prices; 2) percentage pricing discounts off manufacturers' published list prices for all products available to the proponent that exceeds the discount offered above; and 3) for manufacturers who do not offer a published list price, proponents were required to submit a single percentage mark-up that would be applied to the company's cost from each manufacturer. All discounts and mark-ups are to remain firm for the contract. The total value of all items purchased outside of the shopping basket represents approximately 30% of the anticipated expenditures.

Hansler Smith Ltd. (Hansler) submitted the lowest overall evaluated proposal pricing and did not take any exceptions or qualifications to the Commission's terms and conditions. They provided pricing on all of the items in the shopping basket as well as the required pricing discounts and a cost plus factor. In addition they submitted the optional pricing as follows: a 3% increase in year 4 over year 3 pricing, with no increase in year 5 over year 4 pricing. Also, the discounts/mark-ups used to establish pricing for off-shopping basket items for years one to three will remain firm for the optional fourth and fifth years. Hansler is currently performing this contract for the Commission in a satisfactory manner. Their proposal is considered commercially acceptable and they are recommended for award. Hansler's pricing for the two optional years is considered acceptable and staff recommends that Hansler be awarded the hand and cutting tool contract based on a five year term.

Charles Jones Industrial (Charles Jones) submitted the second lowest overall evaluated proposal pricing. They submitted pricing for 485 of the 488 items (99%) on the shopping basket and submitted all pricing discounts and the cost plus factor as required. Charles Jones did not submit any of the pricing for the optional fourth and fifth year. They did not take any exceptions or qualifications to the Commission's terms and conditions and their proposal is considered commercially acceptable based on a three year term.

Windsor Factory Supply Ltd. (Windsor) submitted an incomplete proposal as they did not submit three price schedules for the off shopping basket items regarding the price discounts and the cost plus factor. In addition, their proposal did not acknowledge the two addendums that were issued during the bid period, which is unacceptable. Windsor's proposal is therefore considered commercially non-compliant and unacceptable.

Tenaquip Limited (Tenaquip) omitted to include the Commission's Form of Proposal in their submission. In addition, they also submitted an incomplete hard copy of the Price Schedules which is unacceptable. As a result, Tenaquip's proposal is considered commercially non-compliant and unacceptable.

A price comparison for all of the shopping basket items and items outside of the shopping basket revealed that the year 1 pricing is approximately 6.8% lower compared to the current contract pricing. The pricing for the shopping basket items for year two is approximately 0.9% higher than year one and pricing for year three is approximately 0.4% higher than year two pricing. The off shopping basket pricing remains firm for years two and three.

Hansler was able to offer lower pricing than their current contract with the Commission for the Supply of Hand and Cutting Tools due to an increase in the number of large hand and cutting tool contracts they have, which permitted them to negotiate higher discounts with the various manufacturers.

The recommended upset limit amount includes an allowance of approximately 25% to cover one-time and incidental buys, the addition of new requirements and fluctuations in usage over the five year contract period.

JUSTIFICATION

Award of a contract will ensure the uninterrupted supply of hand and cutting tools for the Commission's on-going maintenance requirements for a five year period.

January 15, 2007
9-118-67
- Appendix – 'A'

Appendix 'A'

SUPPLY OF HAND AND CUTTING TOOLS

PROPOSAL SUMMARY

	Hansler Smith Ltd.	Charles Jones Industrial	Windsor Factory Supply Ltd.	Tenaquip Limited
TOTAL EVALUATED PRICE (3 YEAR)	\$3,622,046.23	\$3,747,070.80	\$3,567,930.80 **	\$2,508,750.85 **
TOTAL EVALUATED PRICE (5 YEAR)	\$6,087,295.57*	No Bid	No Bid	No Bid

* Recommended for award.

** Partial bid only and commercially non compliant.