

Toronto Transit Commission

Report No.

Meeting Date: November 14, 2007

Subject: Procurement Authorization - Supply Of Various Commodity Stock Papers, Carbonless Papers And Miscellaneous Papers

Recommendation

It is recommended that the Commission approve the issuance of two purchase orders for the supply of various papers for a 3 year term from December 1, 2007 to November 30, 2010, as follows:

- 1) Buntin Reid, Division of Domtar Inc. (Buntin Reid) for the supply of commodity stock papers and miscellaneous papers, in the upset limit amount of \$660,000; and
- 2) Unisource Canada (Unisource) for the supply of carbonless papers, in the upset limit amount of \$150,000.

Funding

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

Background

The Graphic Communications Printing Shop, in the Materials and Procurement Department uses a wide range of paper products for the printing of Operation Training Manuals, booklets, forms, timetables, executive and financial reports and Engineering and Construction tender documents, etc. Direct marketing flyers are also printed which target transit opportunities to promote growth in various areas.

Discussion

Five companies were invited to submit Proposals, in addition to an advertisement on the TTC website on June 29, 2007. Nine companies requested copies of the proposal document, out of which four companies submitted proposals as summarized on the attached Appendix 'A'.

The Request for Proposal (RFP) separated the Graphic Communication's requirements for paper into three sections (product lists) covering the supply of various commodity stock papers (product list A), carbonless papers (product list B) and miscellaneous papers (product list C). The RFP specified the type of paper and the estimated annual quantities required for each type. The Proponents were required to indicate which manufacturer/mill would be supplying the paper. The Commission reserved the right to award each product list to the same or different suppliers depending on bid results.

Further, proponents were required to submit a percentage discount from the proponent's latest published catalogue for all items not included on the Product Lists, which shall remain firm for the duration of the contract.

Staff canvassed the market place prior to issuing the RFP and found that obtaining firm pricing for a 3 year contract would not be likely as the paper distributors and mill/ manufacturers of the paper revise pricing based on market conditions, which may vary significantly throughout the year and from year to year. Consequently, staff prepared an RFP with four price escalation options to allow the Proponents the flexibility to provide for price fluctuations over a 3 year contract term.

The 4 options consisted of: Option 1 specified firm pricing for the first year with a maximum annual price escalation for years 2 and 3 specified by the Proponent; Option 2 specified firm pricing for the first 6 months with a maximum quarterly price escalation for each subsequent 10 quarters of the contract as specified by the Proponent; Option 3 specified firm pricing for 3 years; Option 4 allowed Proponents to propose alternative pricing structures.

The RFP specified that any proposed increase during the term of the contract, regardless of the option, must be substantiated in writing by the paper manufacturer/mill to the TTC and that TTC staff reserved the right to validate any request for a price increase with other manufacturers/mills.

For evaluation purposes the maximum price escalation submitted by the proponents was used to determine the lowest evaluated price. However, during the contract the successful proponents are not entitled to the maximum price escalation they submitted, only substantiated increases as outlined in the RFP. The actual increases that will be incurred are unknown at this time.

Buntin Reid submitted pricing for all three product lists and 3 of the 4 Price Escalation Options (Option 1, 2 & 4) and had the lowest overall evaluated price based on Option 1 for product lists A and C. They offered a maximum yearly increase of 15% for both year 2 and year 3 and submitted the required discount applicable for items not included in the Product List. They did not take any exceptions or qualifications and are considered commercially compliant. They have previously supplied this requirement and their performance was considered satisfactory. Therefore, Buntin Reid is recommended for the award of two product lists (commodity stock papers and miscellaneous papers) for a three year term in the upset limit amount of \$660,000.00.

Unisource Canada submitted pricing for all three product lists based on Price Escalation Option 4 only and had the lowest overall evaluated price for product list B, which is effectively the same as Price Escalation Option 1. They offered a maximum yearly increase of 5% for both year 2 and year 3 for product list B and submitted the required discount applicable for items not included in the Product List. Unisource has previously supplied other paper requirements to the Commission, but they have not supplied this requirement. Therefore, staff requested paper samples for testing and found them to be acceptable. Unisource did not take any exceptions or qualifications and are considered commercially compliant. Unisource is recommended for the award of one product list (carbonless papers) for a three year term in the upset limit amount of \$150,000.00.

Coast Paper, A division of Paperlinx Canada Limited submitted pricing for all three product lists based on Option 4 only and did not submit the lowest overall evaluated price for any of the three product lists.

Xerox Canada Ltd. (Xerox) submitted pricing for all three product lists and 3 of the 4 Price Escalation Options (Option 1, 2 & 4), but did not bid on all of the items in each product list. In

addition, for Options 1 and 2, product lists B & C they omitted to include the maximum price escalation and therefore their bid for these options is considered incomplete. Xerox did not submit the low bid for any of the items they quoted.

The recommended upset limit amounts include an approximate 20% allowance for variations in forecast to the actual usage over the three year term of the contract and for the purchase of additional items not listed in the product list.

The pricing submitted by Buntin Reid and Unisource for the first year of the contact is approximately 6.8% lower than the pricing on the current contract. Only 62% of the items could be compared as the balance of the items on the three Product Lists were not previously purchased or have revised specifications (i.e. paper size, colour, type).

The factors affecting the cost of paper include the raw materials (pulp and additives) as well as freight, energy, currency exchange rates, labour, technology, and market demand and supply. The current contract had a potential maximum increase of 15% per year, but only incurred a 7% increase over years two and three of the contract.

Justification

Award of a contract will ensure the uninterrupted supply of various papers for the exclusive use by the Materials and Procurement's Graphic Communications Section for the next three years.

September 21, 2007

9-118-67

Appendix – 'A'

Appendix 'A'

Supply of Various Commodity Stock Papers, Carbonless Papers And Miscellaneous Papers

Proposal Summary

Evaluated Pricing 3 Year totals	BUNTIN REID			UNISOURCE CANADA	COAST PAPER	XEROX CANADA		
	Option 1	Option 2	Option 4	Option 4	Option 4	Option 1	Option 2	Option 4
Product list A	\$ 500,112.75 *	\$ 615,853.75	\$ 558,352.75	\$ 578,410.63	\$ 614,615.06	\$413,782.32**	\$513,909.68**	\$956,775.09**
Product list B	\$ 182,784.52	\$ 221,776.45	\$ 289,900.24	\$ 121,768.21 *	\$ 349,991.00	\$19,264.63**	\$9,632.32**	\$57,793.89**
Product list C	\$ 46,163.73 *	\$ 56,015.36	\$ 51,296.09	\$ 78,660.49	\$ 91,317.48	\$2,217.34**	\$1,072.26**	\$18,976.01**
Product lists A, B & C	\$ 729,060.99	\$ 893,650.98	\$ 899,549.08	\$ 778,839.33	\$ 1,055,923.54	\$435,264.29**	\$524,614.26**	\$1,033,544.99**
Total Recommended Amount	\$ 546,276.48 *			\$ 121,768.21 *				

* Recommended for award.

** Partial / Incomplete Bid.