

**MEETING DATE:** JULY 18, 2001

**SUBJECT:** Procurement Authorization - Supply Of Paper

### **RECOMMENDATION**

It is recommended that the Commission approve the issuance of a purchase order to Coast Paper for the supply of various paper products in the total upset limit amount of \$1,050,000 for the period August 1, 2001 to July 31, 2004.

### **FUNDING**

Sufficient funds have been included in the Commission's 2001 Operating Budget and will be included in future Operating Budgets as appropriate.

### **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. Direct marketing flyers are also printed which target transit opportunities to promote growth in various areas. Approximately eight thousand requisitions are processed annually out of which one half are for just-in-time forms requirements for the day-to-day operations of the Commission.

Presently, the supply of these paper products is covered through a contract with Graphic Resources, which is due to expire on July 31, 2001.

### **DISCUSSION**

A Request for Tender (RFT) was issued to eight known suppliers in addition to a public advertisement in the Globe and Mail on Wednesday, May 9, 2001. Three companies submitted tenders as summarized in Appendix 'A'.

The tender documents requested the submission of pricing on two separate groups, Section A – Various Standard and Miscellaneous Fine Paper and Section B – NCR Paper, which could be awarded separately. Tenderers were required to provide pricing for lists of items based on pre-approved paper manufacturers, which involves testing by Graphic Services. As a result, any alternative manufacturers offered will not be considered in the award of this contract, but will be considered for future contract awards.

Due to significant fluctuations in the price of paper in the past, the tenderers' pricing is to remain firm for the first three months of the contract and thereafter would be subject to quarterly adjustment based on changes to the appropriate index in the Industrial Products Price Index (IPPI).

Coast Paper submitted the lowest total tendered price for Section A - Various Standard and Miscellaneous Fine Paper and Section B – NCR Paper combined and did not state any exceptions or qualifications. As Coast has not recently had any large contracts from the Commission, reference checks were performed and the results were satisfactory. The tender from Coast Paper for Section A and B is considered acceptable and is recommended for award.

Buntin Reid submitted the second lowest total tender for Section A and B combined and submitted the lowest price for Section A alone. However, their submission for Section A is based on the use of an alternative manufacturer's paper which as previously noted will not be considered for this contract award. As a result, Buntin Reid's submission for Section A is considered not compliant and unacceptable.

Graphic Resources' tender was the highest priced and was an alternate tender as they took exception to the use of IPPI as the basis of price adjustments during the term of the contract. They submitted two pricing options based on different methods of price adjustment. Their price for Option #1 is \$944,291.46 or approximately 8% higher than the lowest tenderer and price adjustments would be based on the increases they receive from their manufacturer up to a maximum of 6.5% rather than adjustments to IPPI. This is not recommended due to both the initial price premium and the fact that their manufacturer's increases could be arbitrary based on their individual experiences rather than being tied to any independent index that reflects price changes throughout the entire industry.

Their price for Option #2 is \$1,097,999.94 or approximately 26% higher than the lowest tenderer and is based on firm pricing for the term of the contract. This option is not recommended considering that the 26% price premium would apply at the start of the contract, whereas price increases based on the IPPI are likely to occur gradually during the contract such that overall price increases based on IPPI would have to be significantly higher than 26% by the end of the contract to offset the effect of the price premium applicable from day one of the contract, if the firm price option was selected. In addition, pricing could decrease as well as increase in the short term based on historical pricing which would only exacerbate the price premium of a fixed price contract.

The recommended upset limit includes a 20% allowance for variation in forecast to actual usage and for price escalation over the three years of the contract.

The prices submitted by Coast Paper are approximately 10% lower relative to prices under the current contract, which were based on firm pricing.

**JUSTIFICATION**

Award of this contract will ensure the uninterrupted supply of paper to the Graphic Communications Section.

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July 5, 2001

9-118-30

Attachment – Appendix ‘A’

**APPENDIX ‘A’**

**SUPPLY OF PAPER**

**TENDER SUMMARY**

<b>BIDDER</b>	<b>* COAST PAPER</b>	<b>BUNTIN REID</b>	<b>GRAPHIC RESOURCES</b>	
			<b>(OPTION 1)</b>	<b>(OPTION 2)</b>
Section A	\$524,777.64	\$501,558.84	\$543,195.15	\$631,613.40

Section B	\$348,590.55	\$381,929.88	\$401,096.31	\$466,386.54
Total Evaluated Price	\$873,368.19	\$883,488.72	\$944,291.46	\$1,097,999.94

\* Recommended for Award