

MEETING DATE: August 27, 2003

SUBJECT: Purchase Of Subway Special Trackwork Components

RECOMMENDATION

It is recommended that the Commission authorize the following:

1. The award of a five-year inventory supply contract for the supply of inventory subway special trackwork parts to VAE Nortrak Limited for the period ending December 2008 in the amount of \$7,140,000.00 including applicable taxes.
2. The award of a five-year direct supply contract associated with the 2004-2008 Subway Track Capital Program for various subway special trackwork assemblies to VAE Nortrak Limited for a period ending December 2008 in the upset limit amount of \$8,767,741.45 including applicable taxes.

FUNDING

Sufficient funds for the supply of inventory special trackwork have been included in the 2003 TTC Operating Budget and will be included in future Operating Budgets as appropriate. These inventory materials will be charged to the appropriate budget at the time of issuance from Stores.

Sufficient funds for the direct supply of special trackwork assemblies are included in Project 1.1 Subway Track, as set out on pages 1 to 32 in the "State of Good Repair" category of the 2003-2007 Capital Program, as approved by City Council on February 26, 2003.

BACKGROUND

The Commission's subway and SRT track network contains approximately 362 turnouts together with associated track, which are commonly termed as special trackwork. These special trackwork layouts provide access between different tracks and the components which are subject to frequent movements must be maintained within acceptable tolerances to avoid derailments and permit safe passage of trains. To ensure that the subway special trackwork remains in a state of good repair, a Capital Program has been instituted to replace, on a scheduled basis, entire locations which are worn or approaching their fatigue service life.

At its meeting of November 18, 1997, the Commission awarded a five-year contract for the period 1998 to 2002 for the supply of subway special trackwork. On May 15, 2002,

the purchase order for this contract was amended, by the approval of the Commission, to cover an additional year 2003, and enable a single supplier to be responsible for providing both full turnout assemblies and replacement parts for a five-year period.

The inventory portion of the subway special trackwork components are various parts that are used to maintain the Commission's subway track system on an ongoing basis. Several examples of these parts are frogs, switchpoints and expansion joints.

DISCUSSION

Separate Request for Proposals (RFP) were issued for each requirement, however each RFP noted that the proposals would be evaluated and awarded based on a single award to the lowest overall compliant bidder. The single award would ensure the compatibility of parts, improve matching precision and increase the quality of product while reducing unacceptable spot repairs.

Each RFP invited ten known companies to bid and this was coupled with an advertisement on the TTC internet website on April 25, 2003. Three companies submitted proposals for the supply of inventory special trackwork, but only one company submitted a proposal for the direct supply of special trackwork assemblies as summarized in Appendix 'A'.

VAE Nortrak submitted the only proposal for the direct supply of special trackwork assemblies and stated a number of qualifications and exceptions, all of which were considered acceptable (e.g. a cap on liquidated damages to the value of the goods to be supplied, 100 lb. RA rail may not be available now or in the future and is to be supplied by the TTC, the bar chart schedule will be submitted within five days of request, not the two days specified by the TTC, they could not obtain a price for Allegheny and Permali insulated joints prior to proposal closing, therefore, the price for these joints is an estimate only and may be subject to adjustment once actual costs are received, etc.). Nortrak also provided the required pricing for a range of optional items, which may be necessary in future.

VAE Nortrak are the current supplier for the direct supply special trackwork and their performance has been very satisfactory. VAE Nortrak are recommended for the direct supply of special trackwork assemblies in the upset limit amount of \$8,767,741.45 including applicable taxes.

The price for the direct supply of special trackwork assemblies commencing in 2004 represents an increase of approximately 6% over the pricing for the same types of materials purchased in 2002. The price for each of the subsequent years from 2005 to 2008 increases by approximately 3% over the previous year's pricing.

The RFP for inventory requested firm pricing for 89 pre-approved part types. The parts purchased under this contract must be pre-approved, therefore proponents were advised that alternatives would not be considered during the evaluation. As well, proponents were also advised that the proposal would be evaluated based on a complete award for all 89 inventory part types and awarded to one proponent along with the five-year direct supply proposal.

VAE Nortrak Limited submitted pricing on all 89 inventory part types and did not state any exceptions. However, they submitted a qualification that the total cost for the patterns required to manufacture the track castings would be \$234,312.50 and that it would be extra to the pricing in the price schedule. This is considered acceptable and therefore, VAE Nortrak are recommended to be awarded a contract for the supply of all 89 inventory parts in the upset limit of \$7,140,000 which includes the total estimated cost of the pattern work for the supply of inventory.

Meridian Rail Corporation submitted pricing on 64 inventory part types, but did not respond to the direct supply special trackwork assemblies proposal, thereby rendering them unacceptable and they were not considered further.

CMI-Promex Incorporation submitted pricing on 9 inventory part types, but also did not respond to the direct supply of special trackwork assemblies proposal thereby rendering them unacceptable and they were not considered further.

The inventory contract includes an allowance of approximately 20% to cover variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the contract term.

The pricing for the new five-year inventory supply contract is approximately 4% lower in the first year of the contract. The pricing for each subsequent year is approximately 3% higher than the prices of the preceding year.

Staff surveyed all of the proponents that were unable to bid on the RFP for the direct supply of special trackwork assemblies and the following reasons for not submitting a proposal were provided: do not manufacture/supply to the Commission's specifications; unable to bid competitively; cannot handle due to present plant loading; cannot meet delivery/completion requirements; insufficient time to prepare a proposal and partner with a European supplier; and cannot submit a firm price at this time. Prior to the renewal of this contract, staff will canvass the market to identify companies interested and capable of meeting the Commission's requirements.

JUSTIFICATION

These subway special trackwork assemblies and parts are required in order to maintain the Commission's subway track system in proper operating condition and to support subway track maintenance needs.

July 25, 2003

6-123-122

Attachment

APPENDIX 'A'

PURCHASE OF SUBWAY SPECIAL TRACKWORK COMPONENTS

PROPOSAL SUMMARY FOR INVENTORY PARTS

<u>Proponent</u>	<u>No. of Items Priced</u>	<u>Amount Proposed</u>	<u>No. of Items Recommended</u>	<u>Recommended Upset</u>	<u>Limit Amount</u>
VAE Nortrak Ltd.	89	\$5,752,091.85	89		\$7,140,000.00*
Meridian Rail Corp.	64	\$3,726,153.29	---	---	---
CMI-Promex Inc.	9	\$1,891,331.43	---	---	---

* Includes estimated pattern work of \$234,312.50.