

**MEETING DATE:** July 14, 2004

**SUBJECT:** Purchase Of Sprague Parts

### **RECOMMENDATION**

It is recommended that the Commission authorize the award of three-year inventory supply contracts for the supply of Sprague parts to the following companies for the period from September 2004 to September 2007:

- New Flyer Industries Limited for \$325,000 including applicable taxes.
- Neopart for \$295,000 including applicable taxes.
- Prevost Car Incorporated for \$6,000 including applicable taxes.
- Cadel for \$3,500 including applicable taxes.

### **FUNDING**

Sufficient funds have been included in the 2004 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.

### **BACKGROUND**

The subject Sprague parts are used for maintaining the Commission's bus, streetcar, ICTS and subway vehicle fleet windshield wiper system. Several examples include windshield washer switches, wiper motor piston assemblies, and left and right hand windshield wiper motor idler arms.

### **DISCUSSION**

Tenders were invited from five known companies coupled with an advertisement on the TTC internet website on April 30, 2004. Five companies submitted tenders as summarized in Appendix 'A'.

The tender called for 117 pre-approved part types. Tenderers were also advised that alternatives would not be considered during the evaluation. A total of 105 part types are being recommended for award. The 12 part types that are not being recommended were not priced. Staff will investigate these parts and they may subsequently be the subject of a future tender.

New Flyer Industries Limited submitted prices on 99 part types and has the lowest price on 19 part types. They are recommended to be awarded an upset limit contract for \$325,000.

Neopart submitted prices on 99 part types and has the lowest price on 78 part types of which 1 part type was tied with Cadel for the lowest price. Since Cadel has a better lead time offered, Neopart are not being recommended award of this 1 part type. Hence, they are recommended to be awarded 77 part types for an upset limit contract of \$295,000.

Prevost Car Incorporated submitted prices on 64 part types and has the lowest price on 3 part types. They are recommended to be awarded an upset limit contract for \$6,000.

Cadel submitted prices on 85 part types and has the lowest price on 6 part types. They are recommended to be awarded an upset limit contract for \$3,500 for the 6 part types.

MCI Service Parts Incorporated submitted an incomplete tender and were not considered further.

Each contract includes approximately 20% contingency for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contracts during the contract term.

The pricing received for this new three-year inventory supply contract is approximately 30% higher in the first year of the contract. The pricing will be approximately 6% higher in year two based on year one prices and approximately 5% higher in year 3 based on year 2 prices. Staff contacted Sprague to determine the causes for the large price increase in the first year of the contract and were advised that a new pricing structure was implemented in September 2003. Sprague had determined following the review of their internal costs that many of their items were costing them more to produce than what they were being sold for.

### **JUSTIFICATION**

These Sprague parts are required in order to support bus, streetcar, ICTS and subway vehicle windshield wiper system maintenance needs.

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June 29, 2004  
9-118-55  
Attachment – ‘A’

**APPENDIX 'A'**

**PURCHASE OF SPRAGUE PARTS**

**COST SUMMARY**

<b>TENDERER</b>	<b>NO. OF ITEMS PRICED</b>	<b>AMOUNT TENDERED</b>	<b>NO. OF ITEMS RECOMMENDED</b>	<b>RECOMMENDED UPSET LIMIT AMOUNT</b>
New Flyer Industries Limited	99	\$533,820.07	19	\$325,000.00
Neopart	99	\$493,195.96	77	\$295,000.00
Prevost Car Incorporated	64	\$510,085.56	3	\$6,000.00
Cadel	85	\$393,718.17	6	\$3,500.00
MCI Service Parts Incorporated	Incomplete	--	--	--