

MEETING DATE:April 19, 2006

SUBJECT: Contract Cost-Guarantee Date For Propulsion System - CLRV Life Extension Program
(Update)

RECOMMENDATION

It is recommended that the Commission:

- 1) receive this report for information;
- 2) forward this report to the City of Toronto, in satisfaction of the directive of the City Council at its December 12, 2005 meeting, in which Council requested “if there is any risk of an increase to the cost of the CLRV life-extension program, as approved, that the TTC report to City Council no less than 60 days in advance of such costs being incurred to enable Council to consider this matter.”

FUNDING

Funding is not impacted by this report.

BACKGROUND

The capital project to extend the life of the 196 Canadian Light Rail Vehicles (CLRVs) by 10 to 15 years was initially established in the 1999-2003 Capital Program budget. Scope of work and detail budget were further defined and submitted in the 2006-2010 Capital Program budget. One of the key objectives was to improve on vehicle availability and reduce service delays

At the December 12, 2005 City Council meeting, the Council directed that:

1. the 2006 Recommended TTC Capital Budget include the life-extension program of the 196 CLRV's, as was originally presented; ...
4. the TTC be authorized to split the life-extension order for the 196 CLRV's, providing that the cost of doing so does not exceed the total budgeted amount for the life-extension program; and
5. if there is any risk of an increase to the cost of the CLRV life-extension program, as approved, that the TTC report to City Council no less than 60 days in advance of such costs being incurred to enable Council to consider this matter; and ...

At the February 22, 2006 Commission meeting, the Commission approved a staff report entitled “Contract Cost-Guarantee Date for Propulsion System - CLRV Life Extension Program” and forwarded it to the City Clerk on February 23, 2006 for the consideration of City of Toronto Council and the City Budget Advisory Committee in response to the aforementioned directive from Council.

Staff have since secured further extensions of the guarantee from the supplier of the propulsion system. This report provides an update and addresses the last item (recommendation #205) of the Council's directives.

DISCUSSION

In the February 22, 2006 Commission Report, staff assessed the risk of increases to the cost of the CLRV Life Extension Program (LEP), and the contract cost-guarantee dates of various system

contracts. Staff reported that the first system contract reaching the 60-day notice point would be that for the propulsion system. This was because the price guarantee date for awarding an additional 96-unit option to the propulsion system supplier at no increase in price, except for currency exchange rate change, was April 30, 2006 (6 months from Contract Award date for the current 102 units).

Subsequently, staff were able to secure:

- a) a further extension of the price guarantee from the propulsion supplier to May 31, 2006. This would mean that if an option were exercised before May 31, 2006, the price for the optional units would be the same as those submitted in the supplier's bid form dated March 17, 2005; and
- b) a price increase guarantee of 3% per annum, compounded based on the 2010 price in the bid, if the options were exercised between June 1 and July 15, 2006.

The following table illustrates the price for 100 base + 2 spare units, including the cost of the two prototypes. The contract was awarded on October 26, 2005.

Year	Qty	Total Contract Cost
2006-2010	102	\$26,146,639

The following tables illustrate the price differentials for the optional units as per the RFP submission, subject to negotiation:

a) 96 Units

Contract awarded before May 31, 2006	\$16,472,928
Contract awarded between May 31 and July 15, 2006 (+3% p.a. compounded, 2011–2014)	\$17,547,420
Difference	\$1,074,492

b) 69 Units

Contract awarded before May 31, 2006	\$11,857,995
Contract awarded between May 31 and July 15, 2006 (+3% p.a. compounded, 2011–2013)	\$12,470,064
Difference	\$612,069

c) **44 Units**

Contract awarded before May 31, 2006	\$7,576,800
Contract awarded between May 31 and July 15, 2006 (+3% p.a. compounded, 2011-2012)	\$7,878,598
Difference	\$301,798

It is not known at this time what the price increase would be if the award of the optional order for up to 96 units takes place **after July 15, 2006**. Generally, the magnitude of increase depends largely on if a production gap exists for the fabrication and machine shop work, as well as electronic components, and the change in material costs.

April 3, 2006
5-84