
**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: August 30, 2006

SUBJECT: Purchase Of Rail

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of rail to L.B. Foster Company for the period from September 2006 to August 2009 for an upset limit of \$35,000,000 including applicable taxes.

FUNDING

Sufficient funds are available under Way Programs 1.1 Subway Track and 1.2 Surface Track in the 2006-2010 TTC Capital Program and in the 2006 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 rail is used to maintain the Commission's surface track system for running the streetcars (115lb and NP4aMOD) and subway track system for running subway vehicles (i.e. 100 lb.) The 115 lb. and 100 lb rail are used for straight tangent sections. The NP4aMOD is used for curves.

DISCUSSION

Proposals were invited from nine known companies coupled with an advertisement on the TTC internet website on June 19, 2006. Three companies submitted proposals as summarized in Appendix 'A'.

The proposal called for 8 pre-approved part types. Proponents were advised that alternatives would not be considered during the evaluation. All 8 part types are being recommended for award.

M.F. Wirth Rail Corporation submitted the apparent lowest priced proposal; however M.F. Wirth Rail Corporation submitted prices on only 4 part types for 1 year only and they stated that the validity of their prices was for only 30 days and not 90 days as required. Therefore, their submission was considered commercially non-compliant and their proposal was not considered further.

VAE Nortrak Limited submitted the second lowest priced proposal. VAE Nortrak Limited submitted prices on 8 part types, however, their pricing was not firm and subject to confirmation at time of order. In addition VAE stated that the validity of their prices was for only 30 days and not 90 days as required. Therefore, their submission was considered commercially non-compliant and their proposal was not considered further.

L.B. Foster Company submitted the lowest compliant proposal pricing. L.B. Foster Company submitted prices on 8 part types and was the low bidder for all 8 part types. L.B. Foster Company has qualified that deliveries for years 1, 2, and 3 for the 100 lb. rail must be shipped as one lot in either the first or second quarter of 2007. Staff reviewed this qualification and found it to be acceptable. L.B. Foster Company did not state any other exceptions and qualifications. They are recommended to be awarded a contract for an upset limit amount of \$35,000,000.

The recommended upset limit includes approximately 20% contingency for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the contract period.

The pricing received for this new three-year inventory supply contract was approximately 66.6% higher in year one compared to the current pricing. There will be approximately 4.5% increase in year two based on year one prices and approximately a 4.4% in year three based on year two prices. The price increase in year one is due to significant increases in the cost of steel as well as energy, transportation and labour. During the past three years the cost of steel has increased approximately 80%, as per the CRU Steel price index.

JUSTIFICATION

These rail types are required in order to support surface and subway track maintenance needs.

August 4, 2006
9-111-63
Attachment - Appendix 'A'

APPENDIX "A"

PURCHASE OF RAIL

	<u>No. of Items Priced</u>	<u>Total Tendered Amount</u>	<u>No. of Items Recommended</u>	<u>Recommended Upset Limit</u>
L.B. FOSTER COMPANY	8	\$ 29,092,294.98	8	\$ 35,000,000.00
M.F. WIRTH RAIL CORPORATION	4	\$ 1,068,921.00	0	\$ -
VAE NORTRAK LIMITED	8	\$ 23,578,583.52	0	\$ -