

Procurement Authorization - Supply Of Daimler Parts

Meeting Date: August 27, 2008

Subject: Procurement Authorization - Supply Of Daimler Parts

Recommendation

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of Daimler parts for the period of September 2008 to September 2011 to Bombardier Transportation (Holdings) USA, Incorporated for an upset limit of \$4,491,200 USD (\$4,583,200 CDN) including applicable taxes.

Funding

Sufficient funds have been included in the 2008 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 parts are used to maintain the Commission's Subway and Streetcar vehicle fleet.

Discussion

Bombardier Transportation (Holdings) USA, Incorporated was invited to submit a proposal on April 25, 2008 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 244 pre-approved part types of which 240 part types are being recommended for award. The 4 part types that are not being recommended for award are comprised of 2 part types, one part type where no pricing was received due to pricing not made available and one part type that requires staff investigation. The remaining 2 part types are recently identified as not being required by the Commission at this time, therefore the pricing for these part types was not considered.

Bombardier Transportation (Holdings) USA, Incorporated quoted in US funds which was converted by staff to Canadian funds at the published exchange rate of 1.0205 for comparison purposes only.

Their initial total proposed value was \$3,937,051.96 USD for 242 part types. Staff negotiated with Bombardier Transportation (Holdings) USA, Incorporated and were successful in achieving savings by

reducing their proposal value to \$3,742,595.48 USD. They advised that they could not reduce pricing any further as they have offered the Commission their best pricing.

Their proposal also contained a qualification regarding minimum order quantities and part number corrections. Staff find these qualifications acceptable.

The original pricing received for this new three-year inventory supply contract was 5% higher in the first year of the contract based on current pricing. The pricing would be approximately 5% higher in year two based on year one prices and approximately 6% higher in year three based on year two prices. As discussed earlier, staff contacted Bombardier Transportation (Holdings) USA, Incorporated to negotiate price reductions and were successful in attaining pricing for this new three-year inventory supply contract that is now approximately 4% higher in the first year based on current pricing. The pricing will be approximately 3% higher in year two based on year one prices and approximately 3% higher in year three based on year two prices.

Staff requested substantiation for the price increases and were advised that the electronic components industry has been impacted in the world market – specifically copper. Copper prices have increased 266% since 2004. Other attributable factors are increased costs for machined parts due to increased raw material minimums, labour rates and set up charges.

This 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 contract during the contract term.

Justification

These Daimler parts are required in order to support the Commission's Subway and Streetcar vehicle fleet.

July 31, 2008

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