

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: FEBRUARY 27, 2008

SUBJECT: PROCUREMENT AUTHORIZATION – PURCHASE OF IMPULSE PARTS

RECOMMENDATION

It is recommended that the Commission authorize the awarding of a three year inventory supply contract for Impulse parts to IMPulse NC. Incorporated for the period of March 2008 to February 2011 for an upset limit of \$2,209,500 (CAD) (\$2,253,000 USD), including applicable taxes.

FUNDING

Sufficient funds are available 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 electrical overhead system that powers the streetcars. Several examples of parts are clamps, crossovers, hangers and insulators.

DISCUSSION

IMPulse NC, Incorporated was invited to submit a proposal on December 11, 2007 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 41 pre-approved parts types of which 38 are being recommended for award. Their total proposal value was \$1,802,590.02 (USD). They were unable to quote on the remaining 3 parts types. Staff will investigate these parts and they will be included in future proposals.

The pricing for this new three-year inventory supply contract is approximately 6.88% higher in the first year and an increase of 1.26% in the second year compared to the first year and an increase of 2.40% in the third year compared to the second year.

Staff contacted IMPulse NC, Incorporated to negotiate price reduction however, IMPulse NC, Incorporated advised that they have offered the Commission their best pricing and could not reduce pricing any further. IMPulse NC, Incorporated indicated that the price increases are attributed mainly to higher copper, steel and energy costs. Copper has increased approximately 104% since 2004 as per the New York Metal Exchange (NYMEX). Steel has increased approximately 30% since 2004 as per the CRU steel price index. Energy costs have increased approximately 55% since 2005, as per the NYMEX. As the price of copper is a major contributor to the pricing of some of the items, staff contacted IMPulse NC, Incorporated to negotiate price adjustments based on an agreeable published independent copper index. However, as the 38 part types recommended could potentially be ordered numerous times over the term of contract, IMPulse NC, Incorporated claim the administration required to process these potential price changes will exceed their administrative abilities. As a result they rejected this pricing option.

IMPulse NC, Incorporated's proposal was in U.S. funds and was converted to Canadian funds at the exchange rate of 0.9805 for comparison purposes only. Prices quoted are FOB Mount Olive, NC.

The contract includes approximately 20% contingency for variances between forecasted and actual usage and new parts yet to be identified which may be added and also an additional 5% to cover freight costs during the contract term.

JUSTIFICATION

These Impulse parts are required in order to support maintenance needs.

February 1, 2008
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