

Procurement Authorization - Purchase Of Vapor Parts

Meeting Date: July 10, 2008

Subject: Procurement Authorization - Purchase Of Vapor Parts

Recommendation

It is recommended that the Commission authorize the awarding of a three year inventory supply contract for Vapor parts to Vapor Rail, Division of Wabtec Canada Inc. (Vapor Rail) for the period of August 2008 to July 2011 for an upset limit of \$2,195,000 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 subway and streetcar vehicle fleet. Several examples include rubber door edge nosings, front door motor overhaul kits and printed circuit board racks.

Discussion

Vapor Rail was invited to submit a proposal on April 3, 2008 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 273 pre-approved parts types of which 181 are being recommended for award. Their total original proposal value was \$1,870,501.41 and included minimum buy quantities and price breaks for many of these part types. All minimum quantities submitted were deemed acceptable by staff. A price comparison with the last purchase price revealed an overall increase of approximately 10% during the first year of the contract, an increase of approximately 4% during the second year of the contract compared to the first year and an increase of approximately 5% during the third year of the contract compared to the second year prices.

Staff contacted Vapor Rail to negotiate price reductions. As a result Vapor Rail was able to reduce prices resulting in an overall increase of approximately 7% during the first year of the contract compared to the last purchase price, an increase of approximately 4% during the second year of the contract compared

to the first year and an increase of approximately 4% during the third year of the contract compared to the second year prices, resulting in a final offer of \$1,843,864.13. Vapor Rail advised that they have offered the Commission their best pricing.

The 92 part types not recommended for award are comprised of 91 where Vapor Rail was unable to quote. These part types will be investigated by staff and they may be the subject of a future proposal. The remaining 1 part type was deselected as staff deemed them not to be single source, hence the part type will be re-categorized and subsequently re-tendered.

The main reason for the increase in pricing is that Vapor Rail no longer manufactures their parts in-house where they were able to batch similar processes in order to reduce and control costs. Another notable factor is increased raw material costs, such as copper and steel.

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

Justification

These Vapor parts are required in order to support the Commission's streetcar and subway vehicle maintenance needs.

June 19, 2008

9-118-63