

# Procurement Authorization - Supply Of Luminator Parts

Meeting Date: June 18, 2008

Subject: Procurement Authorization - Supply Of Luminator Parts

## **Recommendation**

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of various Luminator parts for the period June 2008 to June 2011 to Luminator Holding LP for an upset limit contract of \$1,360,000 USD including applicable taxes, subject to successful negotiations on the terms and conditions.

## **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 destination signs on the Commission's streetcar, bus, ICTS and subway vehicle fleet.

## **Discussion**

Luminator Holding LP was invited to submit a proposal on January 22, 2008 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 109 pre-approved part types of which 91 are being recommended for award. The pricing received was in US dollars at a total proposed value of \$1,197,003.77 USD. The 18 part types not being awarded are comprised of 15 part types that were not quoted by Luminator Holding LP. The remaining 3 part types were deselected from the evaluation due to necessary clarification relating to the part number being offered. These items will require further investigation by staff and they may subsequently be the subject of a future proposal.

As well, Luminator Holding LP submitted their own terms and conditions in place of the Commission's General Conditions. Their terms and conditions were reviewed by our Legal Department as certain terms were found to be unacceptable. Staff will continue to negotiate these terms and conditions with Luminator Holding LP. Staff are seeking authorization to allow the award of the recommended \$1,360,000 USD subject to the outcome of these negotiations.

Staff also noted there were some part types that had experienced excessive price increases ranging from

approximately 10% to 200%. Staff requested Luminator Holding LP to justify the increases and were advised the major contributors to these increases are associated increases in the raw materials costs such as crude oil, steel and aluminium, which are used in the make up of these Luminator parts.

The pricing received for this new three-year inventory supply contract is approximately 1% lower in the first year of the contract based on the last buy prices. The pricing will be approximately 3% higher in year two based on year one pricing and approximately 3% higher in year three based on year two pricing. Staff contacted Luminator Holding LP to negotiate price reductions and were advised that the TTC has been offered their best pricing available.

This contract includes an approximate 20% contingency for variances between forecasted and actual usage and new parts yet to be identified which may be added to this contract during the contract term. In addition, an approximate 5% mark-up was included in the recommended upset limit to cover freight costs.

### **Justification**

These Luminator parts are required in order to support TTC's vehicle destination sign maintenance needs.

May 30, 2008

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