

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: AUGUST 26, 2009

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF KNORR
BRAKE PARTS

ACTION ITEM:

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract to Knorr Brake Limited for the supply of various Knorr brake parts for the period from September 2009 to August 2012 for an upset limit contract of \$10,892,000, including applicable taxes.

FUNDING

Sufficient funds have been included in the 2009 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 for various braking maintenance needs on the Commission's streetcar and subway vehicle fleet.

DISCUSSION

Knorr Brake Limited was invited to submit a proposal on October 31, 2008 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 527 pre-approved part types to be priced for each year of a three year contract of which 341 part types are being recommended for award. The 186 part types that are not being recommended at this time are identified by Knorr Brake Limited as Make to Order, and will be handled as individual purchases on an as required basis, thereby not making them candidates for this inventory supply contract at this time.

Their initial proposed value was \$9,341,998.72 based on 251 part types. Their pricing was approximately 5% higher for the first year of the contract compared to current pricing. The pricing would be 3% higher in year two compared to year one pricing and 3% higher in year three compared to year two pricing. Staff contacted Knorr Brake Limited to negotiate price reductions and during this time Knorr Brake Limited provided pricing on an additional 90 part types that were not quoted in their original submission. Staff was successful in achieving savings by reducing their proposal value to \$9,075,984.27 – a savings of approximately \$266,000.

As a result of negotiations, pricing will be approximately 2% higher for the first year of the contract compared to current pricing. The pricing will be 3% higher in year two compared to year one pricing and approximately 3% higher in year three compared to year two pricing. They advised that they could not reduce pricing any further as the parts requested are used on older, mature equipment with low volumes and depending on global demand, may be subject to higher manufacturing costs.

Their pricing for years two and three of this contract are subject to adjustment for foreign exchange fluctuations based on one Canadian dollar being equal to €0.65 Euro and if the average exchange rate varies more than the range of one Canadian dollar falling outside the range of €0.60 Euro and €0.70 Euro. Staff, in conjunction with Knorr Brake Limited, will assess pricing at the end of year one and year two of this contract, and if required, pricing for the following year will be adjusted as mutually agreed.

Knorr Brake Limited’s submission also contained qualifications regarding minimum buy quantities and part number changes. On the latter, they have advised the nature of the changes are administrative only with no change to fit, form or function. Staff deem both qualifications as acceptable.

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

JUSTIFICATION

These Knorr brake parts are required in order to support braking maintenance needs on the Commission’s streetcar and subway vehicle fleet.

July 28, 2009
9-118-55