

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: DECEMBER 15, 2010

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF WABCO
PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of Wabco parts for the period of January 2011 to January 2014 to Wabco Freight Car Products, a Division of Wabtec Canada Inc. for an upset limit of \$6,986,000 USD (\$7,092,500 CDN) including freight and applicable taxes.

FUNDING

Sufficient funds will be included in the 2011 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 braking systems for the Commission's steel wheel vehicle fleets (i.e. subway and streetcar).

DISCUSSION

Wabco Freight Car Products, a Division of Wabtec Canada Inc. (Wabco) was invited to submit a proposal on June 15, 2010 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for pricing for 619 pre-approved part types for a three year term of which 235 part types are being recommended for award. The 384 part types not being recommended for award are comprised of 383 parts which Wabco indicated that if a part was not purchased in the previous 3 years, that it would not be quoted. Staff will review these items to determine the possibility of adding these parts onto a future master order.

One other part type was removed from the evaluation as it was discovered that competitive pricing is available.

Wabco's initial total proposal value was \$6,614,256.04 USD (\$6,681,404.02 CDN) based on 236 part types. Following the de-selection of the 1 part type discussed above, their proposal value was adjusted to \$5,544,646.45 USD (\$5,628,925.07 CDN). Staff contacted Wabco to negotiate price reductions, but were advised that the offer received is the best they could offer and were not able to reduce the prices any further.

On this basis, staff contacted Wabco for pricing substantiation and were advised that some of the price increases in this current offer are attributed to significant cost increases that Wabco had incurred and absorbed during the term of the existing contract (from 2007). Other factors noted were higher costs from their new suppliers to supply parts that have become obsolete and smaller production run quantities being ordered with set up costs being amortized over these quantities as well as increased energy, labour and transportation costs.

The pricing received for this new three-year inventory supply contract is approximately 3% higher in the first year of the contract based on current pricing. The pricing will be 3% higher in year two based on year one prices and 3% higher in year three based on year two prices.

Wabco's submission was quoted in US dollars. Staff converted these prices to Canadian based on the published rate of 1.0152 for comparison purposes.

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. The recommended upset limit also includes 5% for freight.

JUSTIFICATION

These Wabco parts are required in order to support the Commission's steel wheel vehicle fleet maintenance needs.

November 11, 2010
9-118-55