

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: June 2, 2010

SUBJECT: PROCUREMENT AUTHORIZATION -
SUPPLY OF FOUR EARTH PRESSURE BALANCE TYPE
TUNNEL BORING MACHINES AND ANCILLARY EQUIPMENT
CONTRACT ECLM6-1

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the award of a contract to Lovat Inc. in the amount of \$53,853,912.90 inclusive of all applicable taxes, freight, duties and all other costs, for the Supply of Four Earth Pressure Balance Type Tunnel Boring Machines and Ancillary Equipment on the basis of only acceptable Proposal received.

FUNDING

Funding for the provision of these services is included under various Transit City Approved priority projects in the TTC 2010-2014 Capital Program as amended by the Commission on October 29, 2009 and adopted by the City of Toronto Council on December 8, 2009. A total of \$448.280 million was approved for Transit City and SRT Projects to cover expenditures to the end of 2010.

Funding for this contract was included under the ECLRT project and staff are working with Metrolinx to develop the project scope and delivery agreements; however the impacts of the March 25 provincial announcement of the deferral of \$4 billion in transit projects is expected to impact this project but not expected to impact this contract.

BACKGROUND

The proposed Eglinton Crosstown LRT (ECLRT) is an approximately 31 km long light rail transit line comprised of street level, dedicated right-of-way track complete with approximately 11kms of bored twin tunnel from Black Creek Drive in the west to Brentcliff Drive in the east.

The Earth Pressure Balance Type Tunnel Boring Machines (TBMs) and Ancillary Equipment (i.e. trailing gears, segment cars, air compressors, etc.) will be used on the ECLRT Project. The TBMs will be used for the construction of bored twin LRT tunnels with a total length of approximately 22 km for both tunnels. The funding for the ECLRT Project is provided by the Ontario Provincial Government.

DISCUSSION

A Request for Pre-Qualification (RFQ) for the TBMs was publicly advertised on the Commission's Web Site on January 15, 2010 and closed on February 4, 2010. This RFQ was issued to pre-qualify TBM manufacturers for a Structured Multi-Phase Bid Process (SMPBP) and subsequently for a formal Request for Proposal (RFP).

The RFQ explained how the SMPBP process would be conducted. The SMPBP allows potential bidders an opportunity to work interactively with the Commission to finalize the commercial and technical requirements and to ensure they could submit a bid without taking exceptions or qualifications and exposing themselves to unacceptable risks, which could restrict competition.

Responses to the RFQ were received from Lovat Inc. (Lovat) and Herrenknecht Tunnelling Systems Canada Inc. (Herrenknecht). Based on their submissions, both firms demonstrated that they have the experience and resources to meet the Commission's requirements for the supply of TBMs. In addition, these are the same two firms that participated in the procurement process of the TBMs for the Toronto York Spadina Subway Extension (TYSSE) Project awarded in July of 2009.

Both Lovat and Herrenknecht participated in the SMPBP process. Subsequent to finalizing the commercial and technical requirements, a RFP was issued to both Lovat and Herrenknecht on April 7, 2010 with closing on April 29, 2010. Both firms submitted bids which are summarized on the attached Appendix 'A'. The bid validity period for this procurement is July 27, 2010.

Lovat submitted the only acceptable Proposal and did not state any exceptions or qualifications. The submission from Lovat is considered acceptable and is recommended for award.

Herrenknecht's proposal is considered unacceptable as they failed to submit pricing for the entire mandatory specified Options List and has taken several other exceptions to the mandatory submission requirements.

The successful Proponent will be required to execute and provide a contract security in the form of either a Performance Bond or Irrevocable Letter of Credit, ramped up to a maximum amount equal to at least 15% of the contract value.

JUSTIFICATION

**PROCUREMENT AUTHORIZATION -
SUPPLY OF FOUR EARTH PRESSURE BALANCE TYPE
TUNNEL BORING MACHINES AND ANCILLARY EQUIPMENT
CONTRACT ECLM6-1**

Page 3

The proposal submitted by Lovat Inc. is the only acceptable proposal. It is also critical to proceed with the purchase of these Earth Pressure Balance Type Tunnel Boring Machines now as it is one of the critical activities that needs to be completed in order to achieve the desired completion date of ECLRT project. A deferral of this contract award will have a direct impact and a potential delay to the project.

May 14, 2010
55.6.20

Attachment: Appendix A

APPENDIX 'A'

SUPPLY OF FOUR (4) EARTH PRESSURE BALANCE TYPE TUNNEL BORING MACHINES AND ANCILLARY EQUIPMENT CONTRACT ECLM6-1

SUMMARY OF PROPOSALS

1. Herrenknecht Tunnelling Systems Canada Inc - \$52,550,424.00 **
2. Lovat Inc. \$53,853,912.90 *

* Recommended Company.

** Considered non-compliant. Their Total Proposal Pricing was adjusted to factor in 13% HST, instead of 5% as submitted.