

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: SEPTEMBER 30, 2010

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF RAIL

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of rail for the period of October 2010 to October 2013 to:

- 1) M.F. Wirth Rail Corporation for 6 part types in an upset limit of \$10,340,000 including applicable taxes, and
- 2) VAE Nortrak Ltd. for 2 part types in an upset limit of \$240,000 including applicable taxes.

FUNDING

Sufficient funds have been included in the 2010 TTC Operating & Capital 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 rail is used for the Commission's surface and subway track system maintenance.

Proposals were originally invited on December 17, 2009 which included delivery instructions based on yearly estimations to be released as required. L.B. Foster Company was awarded the contract for rail as approved by the Commission at its meeting of March 24, 2010. L.B. Foster Company submitted exceptions to the requested delivery schedule that related to four items, based on one lot shipment for the three year quantity. There is only one known factory for the manufacture of these four items and they are located in Germany. This was reviewed by staff and it was determined that based on the history of the commodity, staff ought to have known the marketplace for rail would be unable to quote or subsequently provide these four types of rail based on the RFP delivery schedule requirements and it would be unmerited for the TTC to attempt to force the contract terms. Therefore, staff cancelled the contract, and neither party assumed any liability.

DISCUSSION

Subsequently, proposals were invited from ten known companies coupled with an advertisement on the TTC website on August 3, 2010. Three companies submitted proposals, as summarized on the attached Appendix 'A'.

The proposal called for 8 pre-approved part types. Proponents were advised that alternate delivery schedules and specifications material composition would be considered during the evaluation. All 8 part types are being recommended for award.

M.F. Wirth Rail Corporation submitted the lowest priced proposal on 6 part types with material and delivery qualifications. TTC staff reviewed the qualifications and deemed them to be acceptable. They are recommended to be awarded a contract for 6 part types, for an upset limit amount of \$10,340,000.

VAE Nortrak Ltd. submitted the lowest compliant priced proposal on 2 part types with no exceptions or qualifications. They are recommended to be awarded a contract for an upset limit amount of \$240,000.

L.B. Foster Company submitted the lowest price on 1 part type, however, they proposed an alternate. TTC staff reviewed this exception and determined it was not technically acceptable, therefore, they are not being recommended for award of any of the part types.

The recommended upset limit 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 pricing received for this new three-year inventory supply contract was approximately 36% lower in the first year of the contract based on current pricing. The pricing will be approximately 4% higher in year two based on year one prices and approximately 3% higher in year three based on year two prices.

In addition, the pricing received was approximately 25% lower in the first year of the contract compared to the recently cancelled contract with L.B. Foster Company.

JUSTIFICATION

These rails are required in order to support the Commission's surface and subway track maintenance needs.

APPENDIX 'A'

SUPPLY OF RAIL

PROPOSAL PRICING

	PARTS BID	TOTAL PRICE (Cdn. Funds)	PARTS RECOMMENDED	RECOMMENDED UPSET LIMIT
M.F. Wirth Rail Corporation *	6	\$8,614,836.87	6	\$10,340,000.00
VAE Nortrak Ltd.	8	\$10,265,744.90	2	\$240,000.00
L.B. Foster Company	8**	\$11,395,259.00	-	-

* Two parts were quoted in US funds and converted to Canadian funds.

. The remaining four parts were quoted in Canadian funds.

**Pricing for 1 of the 8 parts bid is unacceptable due to an exception