

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: November 23, 2011

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT –
AUTHORIZATION TO COMMIT TO PROCUREMENT OF
CONTRACT SPARE PARTS AND SPECIAL TOOLS FOR
TORONTO ROCKETS – H6 REPLACEMENT AND SPADINA
EXTENSION FLEETS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize staff to procure additional spare parts and special tools for the Toronto Rocket (TR) H6 Replacement and Spadina Extension Fleets from Bombardier Transportation Canada Inc. no later than December 31, 2011 in the upset limit amount of \$28,000,000 (\$CDN):

1. \$19,000,000 (\$CDN) for spare parts & special tools associated with the 21 train sets replacing the H6 subway car fleet inclusive of applicable taxes and escalation; and
2. \$9,000,000 (\$CDN) for spare parts & special tools associated with the 10 train sets for the Toronto York Spadina Subway Extension (TYSSE) inclusive of applicable taxes and escalation.

FUNDING

Funds for expenditures for the 21 train sets (H6 Replacement) are included in Project 4.12 – Replacement of 126 H6 Subway Cars as outlined on pages 979 to 981 of the TTC 2011-2015 Capital Program (category State of Good Repair & Safety) as approved by the City of Toronto Council on February 23, 2011. Full project cost commitment approval of \$294.953 million exists for this subway car project.

Sufficient funds for the 10 train sets were included under the Toronto York Spadina Subway Extension (TYSSE) as outlined on pages 1447 to 1449R of the TTC 2011-2015 Capital Program as approved by the City of Toronto Council on February 23, 2011. Full project funding exists for the YYSSE from the Move Ontario Trust, the Federal Government, the City of Toronto and the Region of York. Full project cost commitment approval of \$2,634.171 million exists for the YYSSE project.

BACKGROUND

In December 2006, a contract for the supply of 39 new subway trains (234 cars) was awarded to Bombardier. In May 2010, options for supplying 21 train sets (126 cars) for the replacement of the 126 H6 subway cars and for supplying 10 train sets (60 cars) for the

**PROCUREMENT AUTHORIZATION AMENDMENT – AUTHORIZATION TO COMMIT TO
PROCUREMENT OF CONTRACT SPARE PARTS AND SPECIAL TOOLS FOR TORONTO
ROCKETS – H6 REPLACEMENT AND SPADINA EXTENSION FLEETS**

TYSSE, were exercised. Authorization was also granted by the Commission in May 2010 for the expenditure of allowance funds in the amount of \$47.255 million and \$34.157 million respectively. Allowance funds allow for Escalation Adjustment, Contract Security and potential contract changes (including spare parts & special tools). Approval is required under the authorization for expenditure and commitment policy to proceed to exercise these contract amendments with Bombardier.

DISCUSSION

Of the \$47.255 million allowance fund (inclusive of taxes) authorized for the 21 trains replacing the H6 fleet, \$1.867 million and \$0.481 million have been expended to date on Escalation and Contract Security, respectively, leaving a net remaining authorized allowance of \$44.907 million. After this proposed contract amendment the net remaining authorized allowance will be \$26.276 million. Of the \$34.157 million (inclusive of taxes) authorized for the 10 TYSSE subway trains, \$2.223 million and \$0.573 million have been expended to date on Escalation and Contract Security, respectively, leaving a net remaining authorized allowance of \$31.361 million. After this proposed contract amendment the net remaining authorized allowance will be \$22.489 million.

As part of these options, Bombardier agreed to freeze the prices (before all applicable taxes and escalation adjustment) for the supply of spare parts and special tools on orders placed on or before January 2012. Thereafter, additional cost increases would be applicable. Upon Commission authorization, staff will negotiate with Bombardier to finalize quantities and the delivery schedule.

JUSTIFICATION

In order to ensure sufficient spare parts and special tools are available to maintain the additional 31 train sets and to take advantage of production efficiencies afforded through the base (39 train set) order, authorization is now required in accordance with contract commitments.

October 14, 2011
6-382-374