

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: November 18, 2013

SUBJECT: Procurement Authorization – Supply of Kone Escalator Parts

ACTION ITEM

RECOMMENDATION

It is recommended that the Board authorize the award of a three-year inventory supply contract for the supply of Kone escalator parts for the period February 2014 to February 2017 to Kone Inc. in the upset limit amount of \$7,380,000 including applicable taxes.

FUNDING

Sufficient funds are included in the 2014 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 Kone escalator parts that are used to maintain the TTC's escalators in subway stations and TTC office buildings. There are a total of 186 Kone escalators that are currently being used within the TTC's subway stations and office buildings. Some of the escalators are over 40 years old as they were originally installed between 1969 and 1996. The Kone escalators were uniquely designed to meet TTC Specifications and parts from other manufacturers will not fit these units.

DISCUSSION

Kone Inc. (Kone) was invited to submit a proposal on September 16, 2013 on the basis of single source as they are the Original Equipment Manufacturer (OEM) and only source of supply for these replacement parts.

The proposal called for various pre-approved parts and 41 items are being recommended for award. Kone provided a proposal in the amount of \$6,179,182.11 and TTC staff contacted Kone to negotiate price reductions and was successful in attaining lower pricing. As a result, the negotiated pricing in the amount of \$6,149,385.14 resulted in a cost avoidance of approximately \$30,000.

The pricing for the new three-year contract will be approximately 3.38% higher in the first year of the contract based on current pricing. The pricing will be 3.43% higher in year two based on year one pricing and 3.30% higher in year three based on year two pricing.

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.

JUSTIFICATION

These Kone escalator parts are required in order to support the TTC's escalator maintenance in subway stations and TTC office buildings.

November 7, 2013
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