

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: MARCH 26, 2014

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF RAIL FOR UP
TO A THREE-YEAR TERM

ACTION ITEM

RECOMMENDATION

It is recommended the Board authorize the award of contracts for the supply of rail parts to commence upon notification of award as follows:

1. M.F. Wirth Rail Corporation for \$8,526,400 CND (\$8,000,000 USD) for a 3 year term;
2. M.F. Wirth Rail Corporation for \$5,355,645 CND (\$5,025,000 USD) for a 1 year term;
3. M.F. Wirth Rail Corporation for \$865,000 CND for a 1 year term; and
4. Voestalpine Nortrak Inc. for \$723,678.20 CDN (679,000 USD) for a 3-year term.

FUNDING

Sufficient funds are included in the 2014 TTC Operating Budget and the 2014-2023 Capital Budget and will be included in future budgets as appropriate.

BACKGROUND

The subject parts are based on TTC drawings / specifications and consist of various and diverse rail profiles (i.e. 100 LBS., 115 LBS., etc.). These parts are used in TTC's surface and subway track system maintenance. Staff identified a need for 12 items to be procured based on a blanket requirement for a 3 year term whereby TTC would award a contract(s) to a company(s) and subsequent to award of a contract, TTC would release orders for various quantities as required. Prior to the issuance of a request, staff conducted their due diligence as they reviewed history of previous purchases, and contacted companies in the industry, to ensure that TTC drawings / specifications reflected the marketplace capabilities in order to promote competition, and to ensure that multiple companies would respond to TTC's requests. As a result, it was discovered that only one manufacturer / mill existed world-wide (Arcelor Mittal, located in Europe) for some of the rail items required by the TTC. Further, this manufacturer / mill was unlikely to produce multiple, small production runs to accommodate TTC's release orders (i.e. as required), however, a one-time production run

based on firm quantities could be considered. These factors were considered when preparing the request.

DISCUSSION

Eight known companies were made aware of this requirement, coupled with an advertisement on the TTC website on November 12, 2013. Three companies submitted proposals as summarized in Appendix 'A'.

The Request for Proposal (RFP) called for 12 pre-approved TTC drawings/specifications. The RFP requested proponents to submit yearly firm pricing based on a blanket order contract (for up to a three year term) whereby upon award of a contract, release orders would be generated by the TTC on an as required basis without any minimum quantities. In the event proponents were unable to submit pricing in this manner, the RFP allowed proponents to submit alternative offers in addition, or in lieu of the RFP requirements (i.e. the RFP indicated that, in the event proponents submitted bids based on alternative delivery/lead-time schedules, they were required to provide all relevant information pertaining to the applicable item, for example, minimum required quantities, delivery times/lead-times, etc.).

A total of 11 parts are being recommended for award. There was no pricing received for one part and staff will investigate alternative specifications to cover subsequent requirements.

M.F. Wirth Rail Corporation (Wirth) submitted pricing on seven items based on two pricing scenario's and has the lowest price on all seven items based on both scenarios. One scenario was based on award of a contract by individual rail profile (i.e. 115 RE, 100 LBS., etc.) and the other based on award of all seven items as a package. The lowest bid scenario was based on award of all seven items as a package to Wirth. Wirth quoted two of the items in Canadian funds and five items in U.S. funds which was converted to Canadian funds for evaluation purposes only. Wirth indicated they could only offer one year pricing for five of the items as the manufacturer / mill does not produce the respective rail profiles regularly. Wirth indicated these five items would be manufactured as a one time or two production runs for the entire three year requirement to be delivered in 2014 and early 2015, respectively. Further, for one item Wirth indicated a minimum order quantity which was 20% higher compared to the total three year estimated requirement. Staff reviewed the proposed alternative delivery/lead-time information for these five items and considered it acceptable for TTC's needs. Since Wirth was the low bidder for all seven items and there were no other bidders that were able to offer bids based on the exact RFP requirements for the five items described above, Wirth is recommended for the award of seven items.

Voestalpine Nortrak Inc. submitted pricing on six items and has the lowest price on four items Voestalpine Nortrak Inc. quoted in U.S. funds and was converted to Canadian funds for evaluation purposes only. They are recommended for an award of a contract for four parts.

L.B. Foster Company submitted pricing on seven items; however they do not have the lowest price on any item. L.B. Foster Company indicated they could only offer one year pricing for all 7 items as the manufacturer / mill does not produce the respective rail profiles regularly. L.B. Foster Company indicated these items would be manufactured as a one time or two production runs for the entire 3 year requirement to be delivered in 2014 and early 2015, respectively. Further for one item L.B. Foster Company indicated a minimum order quantity which was 20% higher compared to the total 3 year estimated requirement. As they were not the low bidder for any items, their bid was not considered further.

The recommended amounts for each contract include a contingency of approximately 20% (for the three year contracts) and 10% (for the one year contracts) for variances between forecasted and actual usage and new parts yet to be identified that may be added to the contract during the contract term.

The pricing for the new contracts is approximately 1.39% lower for the first year of the contract compared to the last purchase price. The pricing for the six items awarded on three year term contracts will be 3.27% higher in year two compared to year one pricing and 2.85% higher in year three compared to year two pricing.

JUSTIFICATION

These various rail parts are required in order to support the TTC's surface and subway track system maintenance needs.

March 5, 2014
9-122-122
Attachment

APPENDIX 'A'

SUPPLY OF RAIL FOR UP TO A 3 YEAR TERM

| Company Name | Contract Term (Years) | Total Quoted Parts | Total Quoted Value (USD) | Total Quoted Value (CDN) | Total Recommended Parts | Recommended Upset Limit Amount (USD) | Recommended Upset Limit Amount (CDN) |
|------------------------------|-----------------------|--------------------|--------------------------|--------------------------|-------------------------|--------------------------------------|--------------------------------------|
| M. F. Wirth Rail Corporation | 3 | 2 | \$6,667,595.00 | \$7,378,227.00 | 2 | \$8,000,000.00 | \$8,526,400.00 |
| M. F. Wirth Rail Corporation | 1 | 3 | \$4,567,821.60 | \$6,868,384.26 | 3 | \$5,025,000.00 | \$5,355,645.00 |
| M. F. Wirth Rail Corporation | 1 | 2 | | \$785,463.00 | 2 | | \$865,000.00 |
| Voestalpine Nortrak Inc. | 3 | 6 | \$8,057,945.25 | \$8,588,158.04 | 4 | \$679,000.00 | \$723,678.20 |
| L.B. Foster Company | 1 | 7 | | \$9,356,929.70 | | | |
| Total | | | | | 11 | | \$15,470,723.20 |