

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: JANUARY 21, 2015

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF SPECIAL TRACKWORK FOR UP TO A FIVE-YEAR TERM

ACTION ITEM

RECOMMENDATION

It is recommended that the Board authorize the award of a contract for the supply of special trackwork, for a term of approximately five-years, commencing January 2015 until December 31, 2019, to Voestalpine Nortrak Inc. (Nortrak), in the total upset limit amount of \$19,100,000 USD including applicable taxes (which is equivalent to \$22,257,230 CAD).

FUNDING

Sufficient funds to accommodate this expenditure are included in Project 1.1 Subway / SRT Turnout Rehabilitation Program, as set out on pages 9 to 12 in the “State of Good Repair / Safety” category of the TTC 2014 – 2023 Capital Program, approved by the Board on November 20, 2013 and City Council on January 29 / 30, 2014.

BACKGROUND

The TTC Subway and Scarborough Rapid Transit (SRT) network has approximately 500 locations where special trackwork exists. The components, which are subject to frequent movements, must be maintained within acceptable tolerances and wear limits to avoid derailments. To ensure subway special trackwork remains in a state of good repair, a capital program was instituted to replace, on a scheduled basis, entire locations that are worn or approaching their fatigue service life.

In 2012, a Request for Bid (RFB) was publicly advertised for the supply of special trackwork (subway), out of which one company (Nortrak) replied. Other companies that were made aware of this requirement (but did not respond) advised they either had no capabilities to design and or manufacture complex/large components of special trackwork or they would not be competitive as considerable number of hours were required for the design and manufacturing of the pattern/tooling based on the specialized design required by the TTC. Subsequently, a contract was awarded to Nortrak on the basis of only bid received and this contract is scheduled to expire June 2015.

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In June 2013, staff conducted their due diligence as they researched the marketplace, in order to determine other potential sources for future TTC requests. The Metropolitan Transit Authority (MTA) was contacted to obtain the name(s) of companies they used to supply similar type of subway trackwork. MTA purchased special trackwork from Nortrak, Progress Rail and Cleveland Track Material.

Further, in September 2013, staff issued a Request for Information (RFI) which was publicly advertised on the TTC website. The intent of the RFI was to identify other companies in the marketplace that could supply material in accordance to TTC specifications and to determine the likelihood of these companies participating in future TTC requests. The following four companies responded to the RFI and indicated they were able to meet TTC specifications, Nortrak, HJ Skelton, Progress Rail and Cleveland Track Material.

Progress Rail's response to the RFI indicated they were able to supply material in accordance to TTC specifications. However, the decision to bid on the requirement would be a business decision contingent upon their capacity and resources at time of the request.

HJ Skelton indicated their ability to supply material in accordance to TTC specifications. They suggested that all fasteners be supplied in metric grades, however, imperial measurements were possible. Further, in December 2013, staff met with HJ Skelton and their European manufacturer, DT- Pointworks and Engineering, p.l.c. (DT), whereby DT confirmed they were able to supply material in accordance to TTC specifications.

Prior to the issuance of a request, staff submitted the revised specifications to the four companies that responded to the RFI to ensure TTC specifications reflected marketplace capabilities in order to obtain competition. Cleveland Track Material indicated they did not have flash butt welding capabilities required for the fabrication of some of the parts, however, they would be interested in future TTC requests. The balance of the companies took no exception to these revised TTC specifications.

DISCUSSION

Four companies were made aware of this requirement, in addition to the public advertisement on the Merx website on October 2, 2014. One company, Nortrak, submitted a bid as summarized on the attached Appendix 'A'.

The TTC issued a RFB for the design, manufacture and assembly of special trackwork (subway) and requested firm pricing on complete subway full turnout assemblies, retrofit switch kit assemblies, along with a maintenance and operations manual. In addition, pricing was requested for various component parts that are the main base units (building blocks) used to manufacture these larger complete assemblies. Pricing for these components would be used for administrative purposes, as required during the term of the contract.

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Fabrication of special trackwork components is a lengthy process that consists of long lead-times, and as such, the first year of the contract is typically used to cover the design and fabrication of patterns and assemblies that is specialized to TTC requirements (specifications and drawings). Therefore, the new contract would be required to commence approximately January 2015 in order to allow time to meet delivery requirements in late 2015.

The RFB indicated that the contract term would be for up to a five-year period commencing upon notification of award. The TTC reserved the right, at its sole discretion, to extend the contract up to two additional years. In the event the contract is extended, the pricing for the extension period would be negotiated between TTC and the company. The appropriate authorization would be requested at that time, in accordance with the TTC Authorization for Expenditures and Other Commitments Policy.

In order to demonstrate their capabilities to complete the contract requirements, bidders were requested to submit mandatory submission requirements with their bid (i.e. a list of companies for whom they had completed work of a similar size and nature within the last 5 years, documentation to confirm certification to Quality Standards ISO 9001, etc.).

Nortrak submitted the requested pricing based on U.S. funds, that was converted to Canadian funds for evaluation purposes only. Nortrak's bid submission met the requirements, did not state any exceptions or qualifications to the TTC's terms and conditions, and was considered commercially and technically compliant. Nortrak is the current supplier and has performed the work in a satisfactory manner. As a result, Nortrak is recommended for award of a contract for the entire requirement, for a five-year term, in the total upset limit amount of \$19,100,000 USD (which is equivalent to \$22,257,230 CAD) on the basis of only bid received.

Staff contacted the companies who were made aware of the RFB but did not respond, in order to obtain reasons for not bidding. The companies stated they were too busy with their existing work and as a result, did not have the capacity or resources to undertake work of this magnitude and complexity as a considerable number of hours is required for the design, manufacturing and supply of the work required to meet the needs of the TTC.

The upset limit amount included a contingency of approximately 15% to cover variation in usage over the contract term.

A price comparison with the current contract was conducted based on four complete assemblies (full turnout and retrofit switch kit assemblies) including the maintenance and operations manual which, combined, account for the majority of the work (63% over the 5 year term). Nortrak's year one pricing compared with the current contract revealed an increase of 9.19%. Nortrak's year-to-year bid pricing revealed increases ranging from approximately 2% up to 2.63% per year over the five-year contract term based on comparing component items only.

The price increase in year one is mainly attributed to the significant variation in currency exchange rates from USD to CAD, approximately 16%, compared to May 2012 when the current contract was awarded.

JUSTIFICATION

These subway special trackwork assemblies are required in order to maintain the TTC's subway track system in proper operating condition and to support subway track maintenance needs.

January 7, 2015
9-122-122
Attachment

APPENDIX 'A'

SUPPLY OF SPECIAL TRACKWORK FOR UP TO A FIVE-YEAR TERM

BID SUMMARY

Description	Bid Price (USD)
Subway Full Turnout Assemblies	\$14,177,156.28
Maintenance and Operations Manual	\$ 88,756.98
Subway Retrofit Switch Kit Assemblies	<u>\$ 2,314,149.60</u>
Total Bid Price	\$16,580,062.86
Total Recommended Upset Limit Amount	\$19,100,000

Recommended for award in the total upset limit amount of \$19,100,000 USD (equivalent to \$22,257,230 CAD) this includes a contingency of approximately 15% over the five-year term.