



STAFF REPORT ACTION REQUIRED

Procurement Authorization – Supply of Bombardier Propulsion System Parts

Date:	December 16, 2015 Resubmitted January 21, 2016
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to obtain authorization for the award of a three-year term contract for the supply of Bombardier propulsion system parts that are required to support the TTC's subway and streetcar fleet maintenance needs.

Recommendations

It is recommended that the Board authorize the award of a contract for the supply of Bombardier propulsion system parts for a three (3) year period ending December 31, 2018 to Bombardier Transportation (Holdings) USA, Inc. (Bombardier) in the upset limit amount of \$6,825,000 USD including applicable taxes (which is equivalent to approximately \$8,891,000 CAD).

Financial Summary

Sufficient funds are included in the 2015 TTC Operating Budget and will be included in future operating budgets as appropriate. The inventory parts will be charged to the appropriate department budget at the time of issuance.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Issue Background

TTC has an ongoing requirement for various subway and streetcar propulsion system components (capacitors, resistors, contacts, bushings, etc.) that are used as inventory stock to maintain the TTC subway and streetcar fleet. Bombardier holds the proprietary rights to the propulsion system and is the single source supplier (original equipment manufacturer and only source of supply). The majority of the required parts are used to support the subway cars and a small number of parts are connected to streetcars.

In July 2012, a contract for the supply of Bombardier propulsion system parts was awarded to Bombardier for a three-year period in the upset limit amount of \$3,700,000 USD. In January 2015 a contract amendment was issued to increase the upset limit amount to \$5,801,000 USD to ensure continued supply of parts for the duration of the contract.

Accessibility/Equity Matters

This recommendation has no accessibility or equity issues.

Comments

A Request for Bid (RFB) was issued on August 20, 2015 for the supply of Bombardier propulsion system parts, for up to a three-year term, to Bombardier on the basis of single source. Bombardier is the original equipment manufacturer (OEM) and only source of supply for the required parts.

The RFB requested firm pricing based on estimated quantities derived from historical usage and staff's assessment of the aging T1 subway cars and streetcar fleet. Bombardier was requested to submit pricing on 165 items out of which 163 items were quoted. Bombardier advised that they did not recognize the manufacturer part numbers for two of the items. Staff will investigate these items in order to determine the correct manufacturer part numbers for future purchase. One other part was deselected as it is not a single source to Bombardier and will be issued as a competitive Request. As a result, 162 items are being recommended for award.

Bombardier submitted pricing in US funds, freight included, which was converted to Canadian funds at the exchange rate of 1.3027 at the time of evaluation. TTC broker, ICECORP Logistics Inc. will be responsible to clear customs.

The initial total bid value was \$6,080,096.90 USD. A price comparison revealed an overall increase of approximately 10.36% during the first year of the contract compared to the last buy prices, and an overall increase of approximately 3.99% during the second year of the contract compared to the first year prices, and an overall increase of approximately 3.98% during the third year of the contract compared to the second year prices. The price comparison was performed based on US funds since both the last purchase and current bid pricing are in US funds. Pricing was firm and not based on any published indices such as Statistics Canada, etc.

Negotiations resulted in a revised total bid value of \$5,686,929.53 USD based on the 162 items being recommended for award. A price comparison based on negotiated pricing revealed an overall increase of approximately 3.89% in the first year of the contract compared to the last buy prices. The prices will be approximately 3.91% higher in year two compared to the year one prices, and approximately 3.73% higher in year three compared to the year two prices. Bombardier advised they have offered their best prices and could not reduce pricing any further. Bombardier did not state any exceptions or qualifications to the TTC's terms and conditions and was considered commercially and technically compliant.

This contract includes a 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.

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