



# STAFF REPORT ACTION REQUIRED

## Supply of Subway, Streetcar and SRT Parts

<b>Date:</b>	December 11, 2017
<b>To:</b>	TTC Board
<b>From:</b>	Chief Executive Officer

### Summary

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The purpose of this report is to obtain authorization for the award of a contract for a three year term for the supply of various Bombardier parts to be used on the TTC's subway, streetcar and SRT vehicles. Bombardier Transportation Canada Inc. is the original equipment manufacturer and the only source of supply for these parts.

### Recommendation

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It is recommended that the Board authorize:

1. The award of an inventory supplier blanket contract for various OEM parts for a period of three years (January 1, 2018 to December 31, 2020) to Bombardier in the total upset limit amount of \$18,760,013.07 including applicable taxes on the basis of sole source.

### Financial Summary

The total award value of approximately \$18.76 million over a three year period (\$16.9 million, net of HST rebate) reflects the upset limit for the Bombardier award for the supply of various vehicle parts.

Sufficient funding is included in the 2018 Operating Budget as approved by the TTC Board on November 28, 2017. Sufficient funding will also be incorporated into subsequent budgets as required.

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

### Issue Background

The TTC has an on-going requirement for various Bombardier parts (monitoring terminal units, cables, bushings, washers, lens, insulators, bellows, door frame extrusions, ground strap assemblies, bearing housings, brake kits, HVAC kits, etc.) with the majority being used as inventory stock to maintain the TTC's subway vehicles. Bombardier is the sole source supplier of these parts.

The TTC requests detailed cross reference parts information from the rail vehicle manufacturer as a contract requirement to ensure, where possible, that the TTC is aware of the original equipment manufacturer of the various bolt-on components and available piece parts for repair and rebuild. This decision was made several years ago in response to rail vehicle manufacturers only including their part numbers, which made it impossible to obtain competitive pricing from the supply industry. The additional parts information allows staff to obtain competitive pricing for many of the more common parts through multiple distributors, when available. There are still many parts that are only available through single distributors as a result of in-house designs by the rail vehicle manufacturer, or exclusivity arrangements made between the rail vehicle manufacturers and component sub-suppliers.

Although the TTC could, and does, consider reverse-engineering specific parts, it is done only when absolutely necessary due to the time and effort involved, and the increased risk and liability of not using OEM parts. If the TTC has to reverse-engineer a part, it is a process that can take several years to design, manufacture, install the parts, and then conduct a comprehensive evaluation to verify the performance and reliability of those parts in revenue operation prior to the part being considered for approval for system wide implementation.

### **Accessibility/Equity Matters**

There are no accessibility or equity impacts associated with this report.

### **Comments**

A Request for Bid (RFB) was issued to Bombardier on June 19, 2017 for the supply of various Bombardier vehicle parts for up to a 3 year term on the basis of sole source.

The RFB requested firm pricing for 544 items out of which 402 items were quoted. Bombardier was unable to commit to three year pricing for 142 items, and could only provide year one pricing for 5 items. Consequently, these items will not be included on this supplier blanket and will be purchased as required. As a result, 397 items are recommended for award.

A comparison of the submitted bid prices with the previous purchase prices of the recommended items revealed an overall increase of 3.59% during the first year of the contract, a 1.06% increase during the second year of the contract compared to first year pricing and a 1.11% increase during the third year of the contract compared to second year pricing.

By leveraging TTC’s forecasted spend of approximately \$18.76 million, TTC is able to avoid significant increases to Bombardier’s pricing versus procuring smaller purchase amounts in a piecemeal fashion. In addition, staff negotiated lower pricing than what Bombardier originally provided as follows:

Contract Year	Annual Cost Escalation Original Bid Pricing	Annual Cost Escalation Negotiated Bid Pricing
Year 1 (2018)	3.59%	2.20%
Year 2 (2019)	1.06%	1.03%
Year 3 (2020)	1.11%	1.06%

The negotiated pricing represents a savings of approximately \$216,300 compared to original bid pricing.

The creation of this supplier blanket contract will reduce the buyers' processing time, as the number of requisitions handled by the buyers is greatly reduced.

This contract includes a contingency of approximately 20% for variances between forecasted and actual usage over the contract period and new parts not yet identified which may be added during the contract.

## **Contact**

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