

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 17, 2008

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF CARBONE OF AMERICA PARTS

ACTION ITEM:

RECOMMENDATION

It is recommended that the Commission authorize the awarding of a three-year inventory supply contract for Carbone of America parts to Carbone of America (LCL) Ltd. for the period from February 2009 to January 2012 for an upset limit of \$3,509,000 including applicable taxes.

FUNDING

Sufficient funds are available in the 2008 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 carbon brush parts are used for electrical applications on the subway, SRT and streetcar vehicle fleet. An example is ground brushes used on the subway vehicles.

DISCUSSION

Carbone of America (LCL) Ltd. was invited to submit a proposal on October 16, 2008 on the basis of single source, as they are the only approved supplier of the Carbone of America parts. The proposal called for pricing on 65 pre-approved part types. Carbone of America (LCL) Ltd. submitted pricing on 62 part types with no exceptions. Three part types were not quoted on as pricing was not available at this time. Staff will investigate these parts and they may subsequently be the subject of a future proposal. Their total original proposed value was \$3,074,453.55.

The original pricing received for this new three-year inventory supply contract was approximately 12% higher in year one when compared to the current pricing. There would be approximately a 4% increase in year two based on year one prices and approximately a 4% increase in year three based on year two prices. Staff contacted Carbone of America (LCL) Ltd. to negotiate further reductions, and were advised that they were able to reduce prices resulting in pricing now being approximately 6% higher in year one compared to current pricing; approximately 4% higher in year two based on year one prices and approximately 4% higher in year three based on year two prices. Carbone of America (LCL) Ltd. advised that they could not reduce pricing any further. Their final offer was \$2,923,684.40 which is a price reduction of \$150,769.15.

Staff requested substantiation from Carbone of America (LCL) Ltd. for the price increases and were advised that the main contributing factor was increases in the price for brushes manufactured from a very high strength copper-graphite material which contains various metals that have experienced significant price increases over the last 3 years. Under the previous 3 year contract, Carbone had offered fixed pricing and was not allowed to pass on those price increases.

The 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 Carbone of America parts are required in order to support maintenance needs.

December 1, 2008
9-118-63