



## **STAFF REPORT ACTION REQUIRED**

### **Procurement Authorization – Supply of Rail Track Switch Parts**

<b>Date:</b>	February 25, 2016
<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 rail track switch parts that are required to support and maintain streetcar track system switches.

### **Recommendations**

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It is recommended that the Board authorize the award of a contract for the supply of rail track switch parts to Irwin Transportation Products (Irwin) for a three year period in the upset limit amount of \$5,154,000 USD including applicable taxes (which is equivalent to approximately \$6,910,000 CAD using the exchange rate of 1.00 USD = \$1.3407 CAD which was in effect at the time of bid evaluation on December 10, 2015).

### **Financial Summary**

Sufficient funds are included in the proposed 2016 TTC Operating and Capital Budgets that will be forwarded to City Council on February 17 and 18, 2016 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 track switch parts (clamps, bolts, levers, springs, etc.) that are used as inventory stock to support and maintain over 150 streetcar track system switches operating throughout the TTC. These track switch machines are manufactured and supplied by Irwin who holds the proprietary rights to the switch machine design and is the single source supplier (original equipment manufacturer and only source of supply) for all components. Proprietary Irwin parts are required in order to

retain functional reliability, and maintain the structural integrity of the assemblies for safety and accountability purposes.

The lifespan of a track switch machine is between 17 and 20 years and the machines are replaced as required when track rehabilitation work is undertaken by TTC. Due to the long life span and number of switches throughout the TTC system, Irwin parts will be required over the long term in some cases. The TTC is currently testing an alternate switch machine in a controlled, light traffic area, to assess the reliability and performance of an alternate track switch machine for operational and maintenance benefit. In addition, the TTC is adopting a new track switch system for Leslie Barns.

The system at Leslie Barns is more generic and can be sourced from multiple suppliers, as opposed to the older, relatively simple but proprietary design currently on the streetcar network. Upon gaining more experience with the prototype switch machine, and those at Leslie Barns, an opportunity exists to consider replacing the current system with a new one. It should be emphasized, however, that changing a track switch system configuration on revenue track will require rigorous longer term operational, maintainability and reliability testing and evaluation. If a new switch machine is proven effective, market competition for this equipment and the associated parts could be introduced.

### **Accessibility/Equity Matters**

Without the track switch parts, streetcars could not operate reliably causing a shortage of accessible transit.

### **Comments**

A Request for Bid (RFB) was issued on July 28, 2015 for the supply of track switch parts, for up to a three-year term, to Irwin on the basis of single source. Irwin 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 maintenance requirements. Irwin was requested to submit pricing on 22 items out of which all items were quoted. As a result all 22 items are being recommended for award.

Irwin submitted pricing in U.S. funds, freight included, which was converted to Canadian funds at the exchange rate of \$1.00 USD = \$1.3407 CAD which was in effect at the time of bid evaluation on December 10, 2015. TTC's broker, ICECORP Logistics Inc. will be responsible to clear customs.

Irwin's initial total bid value was \$4,373,013.33 USD. A price comparison revealed an overall increase of approximately 2.00% in the first year of the contract compared to the last buy prices. The prices will be approximately 2.05% higher in year two compared to the year one prices, and approximately 1.97% higher in year three compared to the year two prices. The price comparisons were performed based on U.S. funds since both the last purchase and the current bid pricing are in U.S. funds.

Negotiations resulted in a revised total bid value of \$4,295,139.55 USD based on the 22 items being recommended for award. A price comparison based on negotiated pricing revealed an overall increase of approximately 0.25% in the first year of the contract compared to the last buy prices. The prices will be approximately 2.04% higher in year two compared to the year one prices, and approximately 1.82% higher in year three compared to the year two prices. Irwin advised they have offered their best prices and could not reduce pricing any further. Irwin 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.

## Contact

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