



STAFF REPORT ACTION REQUIRED

Procurement Authorization – Supply of Westcode HVAC Parts for T1 Subway Cars

Date:	November 30, 2016
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to obtain authorization to award this contract for various Westcode parts to be used for the T1 subway car Heating Ventilation and Air Conditioning (HVAC). The parts in this Contract are to be delivered in scheduled deliveries commencing upon award to meet TTC's current T1 HVAC Overhaul Program.

Recommendations

It is recommended that the Board:

1. Authorize the award of a contract to Westcode on the basis of Sole Source in the total amount of \$4,869,081.13 USD including applicable taxes (which is equivalent to approximately \$6,380,930.81 CDN, based on the exchange rate of 1.3105 dated September 29, 2016). Westcode is the original equipment manufacturer (OEM) and the only source of supply for these items.

Issue Background

The T1 HVAC Overhaul Program commenced in September 2016. This project involves the complete overhaul of the HVAC systems in all 370 T1 subway cars. These T1 subway cars currently service Line 2 (Bloor Danforth).

Due to the extensive increase in temperatures this past summer and TTC's aging subway car fleet, TTC Customers felt the impact of increased HVAC failures on Line 2 - T1 fleet. Traditionally, overhaul of a vehicle system of this complexity would be scheduled to align with the truck overhaul over a 5 year period. However, due to the nature and increase in faults on the HVAC system we are looking to expedite and complete the program in its entirety within 2 years. This results in an immediate requirement to secure a steady supply chain of these parts.

The TTC requests detailed cross reference parts information as a contract requirement to ensure, where possible, that we are aware of the original equipment manufacturer (OEM) of the various bolt-on components and available piece parts for repair and rebuild. This decision was made several years ago as a result of the subway car manufacturers only including their part numbers, which made it impossible to obtain competitive pricing from the supply industry. However, there are still many parts that the manufacturer designs and produces themselves, and therefore some parts will only be available from the subway car manufacturer. The requested additional parts information specified allows staff to obtain competitive pricing for many of the more common parts through multiple distributors, when available; however there are still many parts that are only available through single distributors as a result of in-house designs by the subway car manufacturer, or exclusivity arrangements made between the subway car 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. Reverse-engineering is a condition when one analyzes a component and its function and uses this as the reference for creating a specification and engineered drawing. This is contrary to the normal method of creating a specification and drawing and having it made/manufactured. If the TTC has to reverse-engineer a part, it is a process that can take several years to design, manufacture, and install the parts, and then conducts 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.

TTC has an ongoing requirement for various Westcode HVAC parts that are used as inventory stock for the maintenance of the TTC's T1 subway fleet. These items are essential components of the entire HVAC system on all T1 subway cars. Westcode is the Sole Source supplier (OEM and only source of supply).

Accessibility/Equity Matters

These parts are vital for the T1 HVAC Overhaul Program, which is aimed to improve air conditioned comfort for all TTC customers.

Comments

A Request for Bid (RFB) was issued to Westcode on September 16, 2016 for the supply of Westcode HVAC parts on the basis of Sole Source as follows:

Item	Stock Code	Keyword	Westcode Part Number	Total Qty	UOM	Lead Time for Initial Delivery (Weeks)
1	003760	Condenser	WD19301/001	380	EA	7
2	003761	Motor	WB19311/001	100	EA	7
3	006180	Contactora	WA18239/004	370	EA	7
4	009807	Valve	WB19610/001	1,600	EA	8
5	009819	Element	WB19328/001	390	EA	5
6	009905	Sensor	WB19514/001	390	EA	5
7	009906	Sensor	WB19514/002	390	EA	5
8	009907	Sensor	WB19215/002	390	EA	10
9	009908	Sensor	WB19215/001	390	EA	10
10	012330	Valve - Buy	WB19304/001	405	EA	6
11	055122	Muffler	WC19212/001	390	EA	10
12	065086	Pipe	WC19211/001	390	EA	10

Total Bid USD	\$4,308,921.35
Total Bid USD (HST Included)	\$4,869,081.13
Total Bid CDN	\$6,380,930.81

The RFB requested firm pricing for the 12 items to be delivered on scheduled delivery dates of various lot sizes per month commencing upon award. Westcode was requested to provide its earliest delivery lead time to meet the requirements of the T1 HVAC Overhaul Program.

Westcode's Bid was quoted in US Funds, FOB – Destination, freight included in the price with TTC's Broker, ICECORP Logistics Inc. responsible for customs clearance.

Staff contacted Westcode to negotiate price reductions as well as improved delivery dates on these necessary parts and Westcode, upon completion of the negotiations indicated that it offered its best pricing and delivery and could not reduce pricing further.

Staff compared Westcode's current Bid pricing with the previous purchase prices for each item and revealed an overall price reduction of 19%. This price comparison was performed based on US funds as both the last purchases and current Bid pricing are in US funds.

Contact

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