

June 16, 2006

ENQUIRY OF THE MAYOR

RE: Sole Source Contract to Bombardier for New Subway Cars

FROM: Councillor Michael Walker

I am alarmed that a sole source contract is to be awarded for the acquisition of new subway cars for the Toronto Transit Commission (TTC). With the City's past, present and future budget problems, I feel the City should be inviting any company to bid on such a large contract (nearly \$1 Billion) to ensure the best product for the most reasonable cost – sole sourcing does not provide this assurance; City Council must exercise proper fiduciary responsibility.

As we all know, Bombardier is not the only company that builds subway cars. For example, Siemens also produces subway cars that are competitive with Bombardier. Siemens has produced a quote that estimates that they can fulfill the same contract for \$100 - \$150 million **less** than Bombardier.

As the TTC is owned by the City of Toronto, I urgently request the answers to the following questions:

1. Why is this purchase justified as sole sourced?
2. What is the supporting documentation for the sole sourcing of this contract?
3. Who brokered this sole source contract with Bombardier?
4. What is the current process for tendering a contract such as this?
5. What was the process followed for the City's previous purchase of new subway cars?
6. When was the City's previous purchase of new subways cars and for how many was it?

I request a detailed report to be provided for the next City Council meeting in July 2006 answering the above questions.

Our residents are paying more taxes every year and receiving less service. I feel it is irresponsible for City Council to ignore any savings that can be found by 'shopping around' for the purchases we make on their behalf. City Council should insist on a competitive tender for this purchase.

Yours sincerely,

Michael Walker
Councillor – St. Paul's, Ward 22

June 23, 2006

Councillor Walker
Ward 22, St. Paul's
City Hall, 100 Queen Street West
2nd Floor, Suite B26
Toronto, Ontario M5H 2N2

Dear Councillor Walker:

Sole Source Contract to Bombardier for New Subway Cars

I am writing in response to your June 16 enquiry regarding the proposed Bombardier subway car purchase.

Sole sourcing is standard industry practice and is employed by major transit operators in Canada. The decision was made by the Commission as part of its normal business. No contract has been signed and there was no broker. TTC staff, at the direction of the commission, issued a specification to Bombardier for the subway cars in March. Bombardier has submitted an offer to staff, who are currently negotiating and evaluating the technical and financial merits of the offer. The TTC is currently out for proposals to hire two third-party specialists to evaluate the fairness of the price in today's market.

When the process is complete, including the third party analysis, staff will report to the commission with a recommendation either to accept or reject the offer.

Subway car purchases are not routine operations so there is no "current process" as such, though they have historically been sole sourced. The last purchase of subway cars was 372 T1 cars for \$863.9 million. The process for the purchase began in 1991 and was sole sourced to UTDC-Lavalin according to the requirements of the Provincial funding arrangement. In 1992 UTDC was purchased by Bombardier. It is the only subway car supplier in Canada.

Prior to that, the TTC purchased 126 H6 cars, which were delivered between 1986 and 1989, and 135 H5 cars that arrived between 1976 and 1979. The H6 purchase was made under a similar sole source arrangement with UTDC. The paperwork for the H5 car purchase is not readily available, if needed TTC could be requested to search its archives.

I recommend you write to the TTC or Chair Moscoe directly if you require a detailed response.

Yours truly,

Mayor David Miller