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**REVISED**  
**SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE**  
**NOVEMBER 6, 2014**

**SUBJECT: GEARBOXES****ACTION: AWARD CONTRACT FOR A650 GEARBOXES****RECOMMENDATION**

Authorize the Chief Executive Officer to award a three year 36-month, firm fixed price contract under Bid Number 13-0047A to Henschel America, Inc., the single responsive and responsible bidder for A650 Red Line fleet gearboxes. The contract for a one year base amount is not to exceed \$1,010,000. The first a one-year option amount is for the amount of \$1,050,000 and the a second one-year option is for the amount of \$1,476,900 for a total contract amount of \$3,536,900.

**ISSUE**

This procurement is for the acquisition of gearboxes which are required to maintain the safe and reliable operation of the A650 Red Line cars.

**DISCUSSION**

The Red Line A650 is undergoing a program of component overhauls and replacements to improve overall fleet reliability. The existing gearboxes are over 20 years old for the Red Line Breda cars and are operating with declining reliability, and reaching the point where the unit can no longer be repaired and must be replaced.

**DETERMINATION OF SAFETY IMPACT**

Award of contract will ensure that Metro Red Line will have replacement gearboxes to repair and maintain the vehicles according to Metro Maintenance standards.

## **FINANCIAL IMPACT**

The funding of \$300,000 for these products is included in the FY15 budget under cost center 3942 - Rail Fleet Services Red Line in project number 206034 - Subway Railcar Midlife under line item 50441 - Parts Revenue Vehicle.

Since this is a multi-year contract, the cost center manager and Chief Operations Officer will be accountable for budgeting the cost in future fiscal years including any option exercised.

### **Impact to Budget**

The source of funds for this procurement is Measure R 2% rail capital funds. No other source of funds was considered because these funds are specifically designated for this purpose.

## **ALTERNATIVES CONSIDERED**

The alternative is to not award the contract and to upgrade or replace the existing gearboxes on an as needed basis. This approach is not recommended since it would not provide a commitment from the supplier to ensure availability and price stability.

## **NEXT STEPS**

Metro's requirements for gearboxes will be fulfilled under the provisions of the contract.

## **ATTACHMENTS**

- A. Procurement Summary
- B. Bid Tabulation

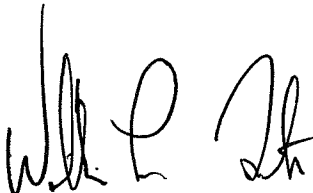
Prepared By: Michael Ornelas, Director – Rail Vehicle Maintenance

Questions: Christopher Reyes, Senior Administrative Analyst, Operations  
(213) 922-4808



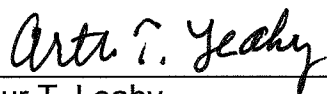
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Stephanie Wiggins  
Executive Director  
Vendor/Contract Management



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William L. Foster  
Interim Chief Operations Officer



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Arthur T. Leahy  
Chief Executive Officer

## PROCUREMENT SUMMARY

## A650 Gearboxes

1.	<b>Contract Number:</b> 13-0047A	
2.	<b>Recommended Vendor:</b> <ul style="list-style-type: none"> <li>• Henschel America, Inc</li> </ul>	
3.	<b>Type of Procurement (check one) :</b> <input checked="" type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP – A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	<b>Procurement Dates:</b>	
	A. Issued: 6/13/2013	
	B. Advertised/Publicized: 6/17/2013	
	C. Pre-proposal/Pre-Bid Conference: 06/20/2013	
	D. Proposals/Bids Due: 3/18/2014	
	E. Pre-Qualification Completed: Yes	
	F. Conflict of Interest Form Submitted to Ethics: Yes	
	G. Protest Period End Date: 10/21/14	
5.	Solicitations Picked up/Downloaded: 26	Bids/Proposals Received: 1
6.	<b>Contract Administrator:</b> Sherri Jackson	Telephone Number: (213) 922-1025
7.	<b>Project Manager:</b> Michael Ornelas	Telephone Number: (213) 922-3223

**A. Procurement Background**

This Board action is to approve contract no. 14-0047A issued in support of procuring new gearboxes for the Red Line cars.

Procurement of Gearboxes for A650 Breda cars was conducted as a two-step formal competitive acquisition in support of awarding a long-term Master Agreement in order to ensure availability and price stability.

IFB 14-0047 was issued June 13, 2013 and advertised June 17, 2013 in accordance with Metro's Acquisition Policy. Contract type is Firm-Fixed Price.

As this was a two step procurement there was a total of seven amendments issued during the solicitation phase of the IFB. Four amendments were issued for the first step and three amendments were issued for the second step.

**Step 1 Qualify Product**

- 1, issued July 2, 2013, extended the critical dates to clarify potential bidder's questions.
- 2, issued August 16, 2013 extended the critical dates to clarify potential bidder's questions.

- 3, issued September 13, 2013 clarified potential bidder's questions.
- 4, issued September 27, 2013 replaced DBE information with SBE information and extended due date to allow for incorporation of new SBE requirements.

**Step 2 Pricing**

- 1, issued February 11, 2014 extended the Bid opening date.
- 2, issued February 26, 2014 clarified potential bidder's questions.
- 3, issued February 28, 2014 extended the Bid opening date

The contract to be awarded is a "requirements type" agreement in which we commit to order only from the awardee, up to the specified quantity for a specific duration of time, but there is no obligation or commitment for us to order any or all of the gearboxes that may be anticipated.

**B. Evaluation of Proposals/Bids**

A single bidder responded to this solicitation. The acquisition was conducted as a two-step procurement that was issued to twenty-six potential suppliers. Four potential suppliers submitted product proposals in step 1. Two of the proposers, Henschel America, Inc. and David Brown Gear Systems USA, Inc., were deemed qualified to proceed to Step 2. The other two proposers did not pass the technical requirements. Only Henschel America, Inc. submitted pricing in Step 2. As a result of receiving a single bid, in accordance with Procurement Policy, staff conducted a market survey of the potential firm. Staff inquiries of the other potential firm, David Brown Gear Systems USA indicated that the firm chose not to bid because of the financial investment and the possibility of bidding against the OEM.

	<b>Bidder/Proposer Name</b>	<b>Bid/Proposal Amount</b>
1.	Henschel America, Inc.	\$3,536,900

**C. Cost/Price Analysis**

The recommended bid amount of \$3,536,900 is the result of an open competitive bid process in a competitive environment, and the bidder prepared its bid in the expectation of adequate price competition. Both Metro and the supplier anticipated there would be more than one acceptable bid submitted. However, since only one bid was received, staff conducted a price analysis to determine price reasonableness.

The price analysis compared the price offered by Henschel America, Inc. to the historical pricing (ICE) on the previous gearbox procurement. The unit price offered by Henschel under the base buy is \$25,250 versus the unit price of \$38,365 that was paid in 2007. Management Audit Services was requested to perform a cost analysis due to the single bid and dollar amount of bid. However, the bidder, Henschel of America, Inc.'s. company policy did not allow the financial detail required to be released. Therefore, in an effort to justify that the price was fair and reasonable a request was made to the Estimating Department. Estimating's price analysis compared the budgetary prices of Voith, with the offer by Henschel America, Inc.

Based on the cost/price analysis by the Estimating Department and the historical pricing it was determined that the price is fair and reasonable.

Price savings based on historical data is \$524,600.

#### **D. Background on Recommended Contractor**

The recommended firm, Henschel America, Inc. is located in Green Bay Wisconsin, and has been in business since 2000. Henschel America is an agency of a Henschel Antirebstechnik in Germany, which specializes in the production of Locomotive, Light Rail Vehicles gearboxes and custom made extruder and worm gearboxes

Henschel has provided products and services to other companies located in the United States, the Horiba Automotive Testing and AVL North America located Michigan, Enterk Manufacturing out of Oregon,

#### **E. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 5% Small Business Enterprise (SBE) goal for trucking opportunities. Henschel America, Inc. made a 0% SBE commitment. Achieving the goal is neither a condition of award nor an issue of responsiveness.

**ATTACHMENT B**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY BID TABULATION  
Bid No: 13-0047A Heavy Rail Gearboxes**

Bids Out: 06/13/13 Total 27  
 Bids Opened: 03/18/14 Total 1  
 Advertisement Date(s): 06/14/13  
 Newspaper: LA Daily News

				Henschel America, Inc.	
Item	Description	Qty	Unit	Unit Price	Total Price
<b>12 MONTH</b>					
171545	Gear Box with ground Brush	40	ea	\$25,250.00	\$1,010,000.00
				<b>Subtotal 12 Month Option</b>	
					<b>\$1,010,000.00</b>
<b>1ST OPTION</b>					
171545	Gear Box with ground Brush	40	ea	\$26,250.00	\$1,050,000.00
				<b>Subtotal 1st Option</b>	
					<b>\$1,050,000.00</b>
<b>2ND OPTION</b>					
171545	Gear Box with ground Brush	54	ea	\$27,350.00	\$1,476,900.00
				<b>Subtotal 2nd Option</b>	
					<b>\$1,476,900.00</b>
<b>Grand Total</b>					<b>\$3,536,900.00</b>

I hereby certify Henschel America, Inc. as being the lowest responsive, responsible bidder and recommend the award to them for total price, of \$3,536,900.00.

9-22-2014  
 Date

*[Handwritten Signature]*  
 Signature