



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

**SUBJECT: CONTRACT NO. 04-04343412 RAIL GRINDER
REMANUFACTURE**

**ACTION: AWARD SINGLE SOURCE CONTRACT FOR
REMANUFACTURE OF RAIL GRINDER**

RECOMMENDATION

- A. The Board finds that there is only a single source of procurement for the remanufacture of the MTA owned rail grinder machine. The Board hereby authorizes the procurement pursuant to Public Utilities Code Section 130237.

Requires Two-Thirds Vote

- B. Authorize the Chief Executive Officer to award a one-year firm-fixed price contract, Contract No. 04- 04343412, to Harsco Track Technologies for the remanufacture of an MTA owned rail grinder in an amount not to exceed \$1,300,000.

RATIONALE

This procurement is for the complete remanufacture of an MTA owned rail grinder and dust collector combination vehicle (grinder) that is operated by the rail Wayside department. The MTA only has one rail grinder. This equipment is used to re-profile the train rails to make a smooth and positive contact surface between the train wheels and the track. If the track is not ground/re-profiled properly, it decreases the life of the train car wheels.

Originally purchased in 1995, this grinder has been used beyond its original intention to maintain the Red (1st segment MOS 1, Union Station to Wilshire), Blue and Green lines. Most recently, the rail grinder also services the Metro Gold line. This demanding use has weighed heavily on the reliability of this equipment. The grinder consistently breaks down and requires immediate repairs to complete the pending job. According to the manufacturer, the original service life of the grinder is between 7-10 years, depending upon usage amount. The manufacturer recommends a remanufacture in the middle of its service life to extend usage of this equipment. We have exceeded the recommended remanufacture by at least four years.

The remanufacture of this equipment is quite extensive and consists of:

- Stripping the grinders and dust collection units down to the bare frame
- Remanufacturing the engines
- Remanufacturing radiator
- Remanufacturing pump drives
- Remanufacturing gearboxes
- Remanufacturing wheels
- Remanufacturing brakes
- Remanufacturing grinding control assembly
- Remanufacturing dust collector
- Remanufacturing air compressor

Additionally, the grinder's foundation parts will be completely replaced with the following new parts:

- Suspension components
- Hydraulic hosing
- Wiring
- Acoustical foam
- Hydraulic pumps and motors
- Bushings and bearings

The vendor, Harsco Track Technologies, is the original manufacturer of this equipment for the MTA. Because Harsco built the grinder and the equipment control technology involved is proprietary to Harsco, this is the only company that can remanufacture both the operating equipment on the rail grinder and its electronic operating system.

Two weeks after Board approval, the rail grinder will be shipped to Harsco. Harsco will disassemble the equipment to evaluate the repair work required. This process alone will take a few weeks to a month. Based upon their findings, the MTA will negotiate a price for the remanufacture, which is expected to take approximately five months. Due to the shipping, negotiating, administrative and repair times involved, this unit will take anywhere between 6 months to a year to get back. The Wayside department has planned its schedule around being without the rail grinder during this period. In the unlikely event that MTA needs to re-profile the rails during this period, MTA will lease a grinder. Remanufacturing of this equipment will extend its useful life by a minimum of five years based on Harsco's experience with remanufactured units and will defer a capital outlay of at least \$4,000,000 for a new similar unit. There is a 6-month warranty on labor and individual warranties between 1-3 years on the various components to be installed.

FINANCIAL IMPACT

The funding of \$1,300,000 for this procurement is included in the FY04 budget of cost center 3434, Non-Revenue, under project number 200010, Non-Revenue Vehicle and Equipment, line item number 53106, Acquisition of Equipment, and task number 05.01 and 05.02 identified in CP 5000007.

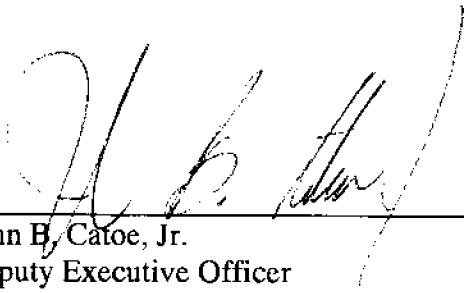
ALTERNATIVES CONSIDERED

The alternative is to not have this remanufactured by the vendor and perform this task internally. This method is not recommended due to our higher labor rate and the cost of remanufactured parts. By doing it in house, the cost would be a minimum of 25% higher and the length of time it would take would be no less than nine months. This grinder is in immediate need of remanufacturing and the identified vendor has the ability to do this at a considerable savings to the MTA.


ATTACHMENT(S)

- A. Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors

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David L. Vila, Contract Administration Manager



John B. Catoe, Jr.
Deputy Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

RAIL GRINDER REMANUFACTURE

1.	Contract Number: 04-04343412		
2.	Recommended Vendor: Harsco Track Technologies		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: NTE \$1,300,000	B. Recommended Price: NTE \$1,300,000	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: TBD		
	E. Pre-Qualification Completed: In Process		
	F. Conflict of Interest Form Submitted to Ethics: TBD		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: In Process	Date Small Business Evaluation Completed:	
	C. Small Business Commitment: TBD Details are TBD		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. Bidders/Proposers Names: Harsco Industries, Track Technologies Division	<u>Bid/Proposal Amount:</u> D. \$ NTE \$1,300,000	<u>Best and Final Offer Amount:</u> \$TBD
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information: N/A		
	A. Protest Period End Date:		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: David L. Vila	Telephone Number: 213-922-1028	
11.	Project Manager: Harold Torres	Telephone Number: 562-658-0231	

BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

RAIL GRINDER REMANUFACTURE

A. Background on Contractor

Harsco is a global industrial services and products specialist with over 400 operating locations in 40 countries, and more than 18,000 employees. Harsco is a niche leader in the infrastructure development, steel and metals, railway transportation, and gas and energy industries. Harsco Corporation dates back to 1742. Early products included cannon balls for George Washington's Continental Army. Later, the company began producing a range of specialty steel products, leading the company to change its name to the Harrisburg Steel Corporation in 1935. Harrisburg Steel Corporation became "Harsco" in 1956, reflecting the company's expansion into new products and markets as a diversified industrial organization. Harsco Track Technologies is a major supplier of railway track maintenance equipment and services. The division provides track maintenance services to major railroads, short lines, and transit systems, and is a single source for over 140 types and models of work equipment used in the maintenance, renewal, and new construction of railway track. The division is located at, 2401 Edmund Road Cayce-West Columbia, SC

Harsco is the original equipment manufacturer of the rail grinder, which was supplied to the MTA in 1995. Performance has been satisfactory.

B. Procurement Background

Type of procurement - This procurement will be conducted as a single source, negotiated procurement for remanufacturing services.

Procurement process – Harsco has provided a guaranteed not-to-exceed price for the remanufacturing of this equipment, however the exact price cannot be determined until the equipment is sent to the company for teardown and evaluation. When that is complete, the vendor will provide a firm price, which will be evaluated and negotiated in accordance with MTA Procurement Policies and Procedures.

C. Evaluation of Proposals

The vendor cannot complete a firm proposal until it has had the opportunity to teardown the Rail Grinder and determine the actual extent of overhaul required. A detailed proposal will be submitted at the conclusion of teardown. MTA will perform a thorough technical evaluation of the proposed scope of remanufacture to ensure that all proposed work is required.

D. Cost/Price Analysis Explanation of Variances

The recommended not to exceed price of \$1,300,000 for the remanufacture of the rail grinder to Harsco Track technologies is the ceiling price for this sole source procurement. The vendor will absorb any additional costs in excess of this amount. Once the MTA has evaluated and agreed to the extent of remanufacture, the vendor will submit a detailed cost proposal which will be subject to audit, cost analysis, negotiation and a final determination that the cost is fair and reasonable.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

RAIL GRINDER REMANUFACTURE

PRIME CONTRACTOR

Harsco Industries, Inc.

Small Business Commitment

To be determined when the extent of the remanufacturing effort has been determined

Total Commitment: TBD

Other Subcontractors

To be determined when the extent of the remanufacturing effort has been determined