



RESOLUTION

REQUESTING THE CITY AUDITOR TO IMMEDIATELY INVESTIGATE THE PROCUREMENT OF THE "CORE SYSTEMS" FOR THE CITY'S RAIL PROJECT AND URGING THE MAYOR AND THE CHIEF PROCUREMENT OFFICER TO UPHOLD THE PROTEST OF THE AWARD OF THE CORE SYSTEMS CONTRACT TO ANSALDO HONOLULU.

WHEREAS, the City recently awarded a contract to the highest bidder Ansaldo Honolulu ("Ansaldo") to design, build, operate and maintain the City rail project's "core systems," which include 80 train cars and a system control center; and

WHEREAS, Ansaldo, a joint venture between AnsaldoBreda and Ansaldo STS, was awarded the contract over two competitive proposals, one by Sumitomo Corporation of America ("Sumitomo"), and the other by Bombardier Transportation ("Bombardier"), the latter of which would have saved the City hundreds of millions of dollars; and

WHEREAS, Ansaldo's winning proposal would cost the City \$574 million to design and build the core systems, \$167 million to operate and maintain the train on the completed portion of the rail project during an interim period through 2019 ("interim period"), \$339 million for the first five years of full operation and maintenance of the systems, and \$317.6 million for an option to extend the operation and maintenance of the systems ("optional extension") for another five years; and

WHEREAS, Sumitomo's proposal to design and build the core systems was \$688.8 million, the price for the interim period was \$286 million, the operation and maintenance of the systems for the first five full years of operation was \$228.1 million, and the optional extension was bid at \$248.1 million; and

WHEREAS, Bombardier's proposal would cost the City \$697.3 million to design and build the core systems, the costs for the interim period would have been \$86.6 million, the first five-year costs for operation and maintenance of the systems would have been \$176.2 million, and the optional extension was priced at \$203.4 million; and

WHEREAS, the evaluation of the proposals submitted by the three proposers was based on a variety of factors, including price, past experience, performance, and the proposers' management team; and

WHEREAS, Bombardier has more than 100,000 train vehicles in operation in 25 countries; and



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WHEREAS, Sumitomo has more than 20 years of experience installing commuter rail vehicles in this country; and

WHEREAS, it has been reported that in other places in the world AnsaldoBreda has had problems delivering train vehicles it had contracted to deliver in a timely manner and that met specifications, for example:

- (1) It has been reported that in 2003 AnsaldoBreda won a contract from the Los Angeles County Metropolitan Transportation Authority to deliver 50 light-rail vehicles by June of 2007 but delivered only 19 vehicles by January 2009, and even those vehicles were 5,000 to 6,000 pounds overweight; and
- (2) Danish train company DSB has said that AnsaldoBreda was behind schedule in delivering 14 trains by 2009, delivering only eight trains, only three of which were operational and even those had problems;

and

WHEREAS, while Bombardier's design and build bid was higher than Ansaldo's, its total bid for the design, building, operation and maintenance of the core systems was \$1.16 billion, significantly lower than Ansaldo's \$1.4 billion bid; and

WHEREAS, Bombardier's proposal also includes plans to: (1) assemble 65 train cars on Oahu, creating an estimated 150 full-time local jobs, most of which will become permanent local jobs maintaining the train cars; and (2) create training programs at the University of Hawaii and Leeward Community College to train residents for jobs with the train system; and

WHEREAS, Ansaldo will assemble all of its train cars on the mainland and will not provide local jobs or training programs similar to those that Bombardier proposes to provide; and

WHEREAS, the Council has raised a number of questions and concerns regarding the award of the core systems contract to Ansaldo including the following: (1) Ansaldo has had a spotty performance record with respect to the trains it has contracted to deliver to other train authorities; (2) the design and build portion of the contract was weighted as being seven times more important than the operations and maintenance portion which gave an advantage to Ansaldo, even though its operations and maintenance costs for the interim period and the optional extension far exceeded the same costs for Bombardier and was significantly higher than those costs for Sumitomo;



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(3) Ansaldo's design and build price dropped from \$679.8 million in June 2010 to \$574 million in February 2011, while its operations and maintenance price went up by about \$100 million; (4) Bombardier's second best and final offer ("BAFO") was rejected because it allegedly included an inappropriate condition regarding a change in the indemnification clause, even though, according to Bombardier, it was not a condition but merely a request for clarification and despite the fact that the alleged condition was included in Bombardier's first BAFO without causing Bombardier's proposal to be rejected; and

WHEREAS, because of the problems and concerns with the procurement of the core systems and the award of the contract to Ansaldo, Sumitomo has indicated that it will protest the award of the contract; and

WHEREAS, all of the above-cited concerns and questions require a thorough investigation of the procurement of the City rail project's core systems or alternatively a cancellation of the award of the contract to Ansaldo; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it requests the City Auditor to immediately investigate and audit the procurement process used by the City to award Ansaldo the contract for the core systems for the rail project to determine if it was fair and yielded the greatest benefit to the City's taxpayers; and

BE IT FURTHER RESOLVED that the Mayor and his Chief Procurement Officer are urged to uphold the protest applied to the core systems contract as the alleged facts overwhelmingly indicate that the process was not fair and not in the best interests of the people and taxpayers of Honolulu since other bids provide for all the rail cars be assembled out-of-state instead of providing local jobs; and

BE IT FURTHER RESOLVED that the Mayor and his Chief Procurement Officer award the contract to the bidder whose proposal will best serve the interests of City residents and taxpayers giving greatest deference to the lowest bidder and equal weight on all phases of contract including design and construction of the rail cars and the operating and maintenance expenses that yields the creation of the greatest number of guaranteed jobs for the residents of Hawaii; and

BE IT FURTHER RESOLVED that the Council limit the budget for the Honolulu Authority for Rapid Transportation to just one dollar for fiscal year 2012 budget and place a freeze on all spending by HART until the protest is resolved and a new Request for Proposals for the core systems contract has gone out for rebidding; and



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BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Secretary of the United States Department of Transportation, the Administrator of the Federal Transit Administration, the Mayor, Managing Director, Director of Budget and Fiscal Services, Director of Transportation Services and City Auditor.

INTRODUCED BY:

Tom BERG

DATE OF INTRODUCTION:

APR 11 2011

Honolulu, Hawaii

Councilmembers