

December 2024

LIST OF NONCOMPETITIVE PROCUREMENTS FOR BOARD APPROVAL

I. Modifications to Purchase and Public Work Contracts

(Staff Summaries required for items estimated to be greater than \$1,000,000.)

- | | | |
|---|------------------------|-------------------------------|
| 1. Kawasaki Rail Car, Inc. | \$1,266,247,247 | <i>Staff Summary Attached</i> |
| 10-year base + 2- Options for additional car purchases | | |
| Contract# R34211.112 | | |

Modification to the contract to purchase 440 closed-end subway cars and 20 open-gangway subway cars for the "B" Division, and 75 cars for Staten Island Railway; in order to exercise Option 2 for the purchase of 435 additional subway cars (355 closed-end [R211A] cars and 80 Open Gangway, hard shell [R211T OG1] cars) and related non-car items.

Schedule I: Modifications to Purchase and Public Work Contracts



Item 1

Vendor Name (Location) Kawasaki Rail Car, Inc. (City, State)
Description 440 new closed-end subway cars, 20 Open Gangway subway cars for the "B" Division, and 75 cars for Staten Island Railway
Contract Term (including Options, if any) January 2018–April 2028
Option(s) included in Total Amount? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> n/a
Procurement Type <input type="checkbox"/> Competitive <input checked="" type="checkbox"/> Noncompetitive
Solicitation Type <input type="checkbox"/> RFP <input type="checkbox"/> Bid <input checked="" type="checkbox"/> Other: Modification
Funding Source <input type="checkbox"/> Operating <input checked="" type="checkbox"/> Capital <input checked="" type="checkbox"/> Federal <input type="checkbox"/> Other:
Requesting Department: Department of Subways, Mandeep Lali

Contract Number R34211	AWO/Mod. #: 112
Original Amount:	\$ 1,444,997,948
Prior Modifications	\$ 1,808,319,020
Prior Budgetary Increases:	\$ 0
Current Amount:	\$ 3,253,316,968
This request:	\$ 1,266,247,247
% of This Request to Current Amount:	38.92%
% of Modifications (including This Request) to Original Amount:	212.77%

Discussion:

This modification is for the exercise of an option to purchase 435 additional subway cars and related non-car items such as spare parts, special tools, diagnostic test equipment, technical documentation and training for NYC Transit’s Department of Subways from Kawasaki Rail Car, Inc. (“Kawasaki”) in the estimated amount of \$1,266,247,247.

In January 2018, the Board authorized the award of Contract R34211 to Kawasaki Rail Car Inc., (KRC) to design, build and deliver 535 subway cars, comprised of 440 closed end cars (R211A), 20 Open Gangway (R211T) cars for NYC Transit “B” Division and 75 cars for Staten Island Railway, as well as related non-car items such as spare parts, special tools, diagnostic test equipment, technical documentation and training in the amount of \$1,444,997,948. The Contract includes two options, Option 1 for 640 cars and Option 2 for 333 or 437 cars. In November 2022, the Board authorized Option 1 to exercise an additional 640 closed end cars (R211A) as well as related non-car items such as spare parts, special tools, diagnostic test equipment, technical documentation and training in the amount of \$1,782,497,142.00. This action is to exercise Option 2 for 435 cars to be configured in five-car operating units. Configuring these cars in five-car units results in 435 cars instead of 437. (355 closed-end [R211A] cars and 80 Open Gangway, hard shell cars [R211T OG1] cars). Delivery of cars under Option 2 is anticipated to start in 2027 and be completed in 2028.

The cars to be purchased under Option 2 will replace R46 and R68 subway cars that run on the B division lines. These cars, like the cars in the base contract will be CBTC equipped and will facilitate the continued expansion of CBTC across the B division.

The pricing for option cars is subject to an adjustment formula resulting from changes in labor and material cost indices, currency exchange rates and other factors, already agreed upon and included in the base contract. The option pricing was considered fair and reasonable at the time of award of the contract in 2018. Therefore, Option 2 pricing has been escalated according to indices and adjusted to reflect currency changes already included in the base Contract.

Throughout the course of this Contract, modifications were made which in some instances impacted the cost of the option cars. These costs were reviewed by NYC Transit and are included in the cost of the cars.

Negotiations for this option were necessary based on changes to the original terms of the contract and centered around Kawasaki's requested increase in the advance payment, as well as aspects of the delivery schedule which differed from that which was originally proposed and agreed to as part of the base contract, as well as the scope changes to the Open Gangway cars. There was an allowance for an increase to the advance payment, from 5% to 10%, and interim progress payments as well as agreement on an adjusted delivery schedule. Further, additional credits against the price of this Option 2 were applied, the values for which were established at the time of award of the base contract as follows: a reduction in the amount of security for the performance bond, a reduction in the retained percentage as well as the allowance for Kawasaki to submit two invoices per month. The net adjusted price after negotiations and after all credits are applied and adjustments is \$1,266,247,247. This represents a \$75,440,745 savings from Kawasaki's original proposal of \$1,341,687,992. All advance payments will be collateralized. Based on the aforementioned negotiations and changes, the pricing is considered to be fair and reasonable.

The FTA has been notified of the advance payments as well as the security requirements for the performance of the work, to secure its concurrence.

KRC has the experience, technical capability, resources, and facilities to perform the work required. The Controller's Office found that there was reasonable assurance that KRC can perform the work under this option.

KRC has certified pursuant to EO 16 that it is not doing business in Russia.

This contract was evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, any applicable cybersecurity requirements, to the extent required, have been included in the base contract terms and conditions.

MBE/WBE/TVM:

Because this Contract is FTA funded, the FTA Transit Vehicle Manufacturer (TVM) program applies. KRC complies with this FTA program.

IMPACT ON FUNDING:

This option is funded with local funds. This project is funded in the approved 2020 - 2024 Capital Program.