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September 11, 2018

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: SFMTA Contract with Alstom Transportation Inc. for Vendor Managed Inventory services, to manage and supply parts for its rail fleet maintenance program

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors approve a contract between the City and County of San Francisco and Alstom Transportation Inc., for Vendor Managed Inventory services, to manage and supply parts for its rail fleet maintenance program, for an amount not to exceed \$62,456,000, and for a term of three years with two, two-year options to extend the contract.

Background

The SFMTA has an aging rail fleet that currently includes 149 Breda light rail vehicles (LRVs), 39 historic streetcars, and 31 cable cars. The SFMTA has struggled with parts availability for its aging LRV fleet for an extended period of time. In 2011, the Agency had a significant backlog of outstanding requests to order parts. Delays in receipt of parts had a negative impact on service delivery.

In 2012, the SFMTA initiated a comprehensive approach to improving parts availability. The comprehensive approach included hiring additional staff, updating purchasing guidelines consistent with local law to allow for more efficient purchasing, and implementation of a Vendor Managed Inventory (VMI) pilot program for LRV parts by streamlining the purchasing process for critical parts, providing a mechanism for addressing difficult to obtain parts through reverse engineering and alternate sourcing, and improving purchasing planning so that the agency could purchase the right part at the right time, improve parts availability, and reduce existing agency inventory.

The pilot program has been extremely effective in streamlining parts acquisition, improving purchasing planning, and providing a mechanism for reverse engineering and alternate sourcing of difficult-to-obtain parts.



Outstanding purchase requests have declined from a high of more than 5,000 to well below 1,000. Parts availability has improved as measured by a review of the agency's out-of-stock rate, which is presently at 3.54% and below the industry standard of 5%. Rail parts consumption has doubled. A total of 35 LRV parts have been reverse engineered to date.

In addition, the Contractor also assisted in the identification of alternative sources for needed parts. Overall, there have been quantifiable improvements in parts availability measured by a decline in the number of outstanding purchase requests, a decline in out of stock rates and an increase in parts consumption. There have also been corresponding service improvements.

- Daily average car availability pre-VMI was 110; post-VMI is 122 representing a 20% improvement rate
- The Mean Distance between Failures (MDBF) has increased from an average of 2,964 miles pre-VMI to 5,150 post-VMI.
- As a result of greater availability and reliability, the rail fleet is operating 42% more miles post-VMI, which is part of the reason for expanded consumption rates.

Current Status

Attached link for your reference provides the detail of the contract as presented to the SFMTA Board of Directors for their approval on September 18, 2018 and the accompanying presentation, environmental clearance and the contract. <https://www.sfmta.com/calendar/board-directors-meeting-september-18-2018>

We are seeking the Board of Supervisors approval of contract between the City and County of San Francisco and Alstom Transportation Inc., for Vendor Managed Inventory services.

If there are any questions please do not hesitate to contact Sonali Bose at (415) 701-4617 or Sonali.Bose@sfmta.com or Virginia Harmon at (415) 701-4404 or Virginia.Harmon@sfmta.com.

Thank you for your continuing support of SFMTA and public transportation.

Sincerely,

Edward D Reiskin
Director of Transportation