

Board of Trustees Agenda Item

Board Meeting Date: December 10, 2012

Title of Item:

Authorize Consignment Agreement No. US-L-29823 with Mori Seiki U.S.A., Inc. and make findings that the DMG/Mori Seiki DMU50 5-axis machine is the only product that can fulfill the educational needs of the De Anza College MCNC department and is available only through one source, Ellison Technologies.

Background and Analysis:

The De Anza College Manufacturing and CNC Technology department (MCNC) supports the local manufacturing community. The students are trained on the same equipment that is used in Silicon Valley. Continuous 5-axis machines are advanced technology machines that are highly automated and are used by manufacturers to create product prototypes, develop R&D products, and mass-produce products. The DMG/Mori Seiki DMU50 5-axis machine meets all of the needs of the MCNC program to train its students. Similar types of machines are available through a select number of manufacturers, however no other manufacturer produces a cantilevered continuous 5-axis machine, most only produce a trunnion designed, non-continuous 5-axis machine. Haas Manufacturing, Hermle Machine Co., and Hurco Company Inc. each offer a 5-axis machine, however the machines do not include all of the features required of the MCNC program.

A Mori Seiki U.S.A., Inc. (Mori Seiki) educational partnership would require the MCNC department to purchase a DMG/Mori Seiki DMU50 5-axis machine (including Siemens controller, installation, and training) for the consideration of receiving on loan an additional piece of equipment (DMG/Mori Seiki NMV5000 5-axis vertical machining center) valued at a retail price of \$466,400.00 via a consignment agreement. The only costs associated with the NMV5000 will be the cost of freight plus rigging charges, which is approximately \$10,000 and will be paid for through the De Anza College divisional B budget.

The purchase of the DMG DMU50 5-axis machine will exceed the current statutory bid threshold of \$81,000.00. Through the consignment agreement with Mori Seiki the DMG/Mori Seiki DMU50 5-axis machine will cost \$180,000 plus applicable sales taxes and freight charges (estimated at \$204,884 total) when purchased through its U.S. distributor Ellison Technologies. Ellison Technologies distributes 80% of all DMG/Mori Seiki machine tools in the U.S. and is the only vendor who could qualify to sell the equipment to the District. The DMG/Mori Seiki DMU50 5-axis machine will be paid for through Measure C FF&E funds.

If the District were to prepare a bid specification for a 5-axis machine meeting all of the requirements of the MCNC department, only Mori Seiki would be a responsive bidder. This is because:

- The De Anza College MCNC department has researched and determined that the proposed price of the continuous 5-axis machine, not a lesser 3+2 machine, is better than what would be available on the open market. Mori Seiki is offering the price of the DMG/Mori Seiki DMU50 5-axis machine at a 50% discount, purchased through its U.S. distributor Ellison Technologies. Ellison Technologies will not be making any commission on the equipment due to the fact that Mori Seiki is selling the DMG/Mori Seiki DMU50 to the District at a lower price than the Ellison Technologies cost. The DMG/Mori Seiki DMU50 5-axis machine could not be purchased at lower price than what is offered in the agreement.

- In 2012, De Anza College received a grant for 100 seats of Siemens NX Cam software valued at \$53,000 a seat (\$5.3 million retail price). The college has already spent countless hours developing and integrating the software into the MCNC program. The DMG/Mori Seiki DMU50 has an 840D Siemens controller that allows additional power to be gained from the NX CAM system when it is used in conjunction with a DMG machine equipped and an 840D CNC controller. There is not another continuous 5-axis machine on the market that comes with a Siemens controller, is interactive on-line and ready to use that includes a fully developed equipment operation classroom curriculum, and has a specific controller that is designed to incorporate Siemens NX CAM. The result is more efficient production of error-free programming. Error free means a safer environment in the lab. Safety is the most important part of the MCNC program.
- De Anza College and Mori Seiki will also have an Educational Agreement in place, which allows the use of all DMG/ Mori Seiki on-line interactive curriculums in the MCNC program at a cost of approximately \$33.00 dollars per student per quarter covered by student lab fees. No other tool manufacturer offers a curriculum of this nature.
- DMG/Mori Seiki is the only manufacturer to have On-Demand interactive educational on-line training available for use in the class to all students who are taking classes at a DMSU educational center (De Anza College). The on-line interaction will be an important part of the training of the equipment agreement, as well as creating the safest lab environment possible.
- The DMG/Mori Seiki DMU 50/70 machines are entry-level CNC universal milling machines with up to 5 axes, they have optimal access and the largest visibility in the industry, set a new standard in training, and in the laboratory. There is no other comparable product available that would satisfy the department's needs. Once again, having an entry level, large visibility 5-axis machine creates the safest learning environment available. Safety being the key element.

The DMG/Mori Seiki DMU50 5-axis machine is the frontrunner in advanced manufacturing equipment and De Anza would be the only community college in the U.S. educating students with one of these machines. Recently, five of these machines were sold to manufacturing industry businesses (about \$350,000 each) in the local area over the last few months (Apple, Intuitive Surgical, others) and these employers are eager to find skilled employees who have the knowledge to operate the equipment. In addition the educational partnership with Mori Seiki will allow De Anza College to supply trained students on the DMG/Mori Seiki DMU50 5-axis machine and the DMG/Mori Seiki NMV5000 5-axis vertical machining center for future employment at the new DMG/Mori Seiki factory in Davis, Ca. This is the motivation behind this deal on the part of Mori Seiki; they would like to have professionals trained on the equipment ready to enter its workforce. Prior to this partnership Mori Seiki has only worked with select 4-year universities including MIT and UC Berkeley.

The Mori Seiki consignment agreement and the purchase of the DMG/Mori Seiki DMU 50 5-axis machine without conducting a competitive bid process was reviewed by District legal counsel, Mr. John Shupe of Lynch and Shupe, LLP. Mr. Shupe supports the approval of this board action item based upon the facts and information provided by the De Anza College MCNC department.

Recommendation: (specify if information only)

1.) Authorize Vice-Chancellor of Business Services, Mr. Kevin McElroy, to enter into Consignment Agreement No. US-L-29823 with Mori Seiki U.S.A., Inc. for the loan of a NMV5000 5-axis vertical machining Center equipment, 2.) make a finding that the DMG/Mori Seiki DMU50 5-axis machine is the only product that can fulfill the educational needs of the MCNC program, and 3.) make a finding that the DMG DMU50 5-axis machine is available only from one vendor, Ellison Technologies for a cost of \$180,000 plus applicable sales tax and freight charges.

Submitted by:	Kevin McElroy, Vice Chancellor of Business Services x6201
Additional contact names:	Gina Bailey, Interim Director of Purchasing Services, Letha Jean Pierre, VP Finance & Educational Resources, Anita Kandula, Dean of Biology, Health and Environmental Science
Is backup provided?	yes



ELLISON TECHNOLOGIES
9890 SOUTH PIONEER BLVD.
SANTA FE SPRINGS CA 90670
PHONE (562) 949-8311
FAX (562) 949-8049

ORDER CONTRACT

Order Contract No.: **FGDAC-Education-072612-V02.1**

Bill To:

De Anza College
21250 Stevens Creek Blvd.
Cupertino CA 95014

Ship To:

De Anza College
21250 Stevens Creek Blvd.
Cupertino CA 95014

Attention: Mike Appio

Attention: Mike Appio

Ship Via: Best Way

Machine FOB: Davis, CA and Central Jersey, NJ
Accessories FOB: Factory

Payment Terms:

100% Net 30

Freight	Ellison	Customer
Responsibility:		X
Rigging	Ellison	Customer
Responsibility:		X

Sales Tax: 8.38%



NMV5000 DMG/Mori Seiki 5-Axis
Vertical Machining Center / DMG/Mori
Seiki DMU 50 New DMG Design

Item	Quantity	Description	Unit Price	Amount
1	1	NMV5000 DMG/Mori Seiki 5-Axis Vertical Machining Center	\$ 466,400.00	\$ 466,400.00
		Serial Number: NM501FE0002	\$ -	\$ -
		Standard Options and Configuration	\$ -	\$ -
	1	Ellison Technologies Installation - FREE OF CHARGE	\$ 4,500.00	
	1	Ellison Technologies Training - FREE OF CHARGE	\$ 3,000.00	
	1	Freight & Rigging (ESTIMATED) - See Charges Below	\$ 10,000.00	
	1	Loaner Machine Provided at no cost, with annual loan renewal option	\$ (466,400.00)	\$ (466,400.00)
2	1	DMG/Mori Seiki DMU 50 New DMG Design	\$ 135,570.00	\$ 135,570.00
		Serial Number: 11415579514	\$ -	\$ -
3	1	3D-control Siemens 840D	\$ -	\$ -
4	1	Swivel Rotary Table, simultaneous	\$ 58,135.00	\$ 58,135.00
5	1	Spindle speed up to 10,000 rpm SK40	\$ 19,820.00	\$ 19,820.00
6	1	Tool clamping for CAT40	\$ 1,190.00	\$ 1,190.00
7	1	Tool magazine 30po SK40 vertical chain	\$ 27,870.00	\$ 27,870.00
8	1	Infrared Measuring Probe PP60 optical	\$ 8,540.00	\$ 8,540.00
9	1	3D Quickset	\$ 6,280.00	\$ 6,280.00
10	1	Tool Measuring Device Heidenhain TT140	\$ 7,080.00	\$ 7,080.00
11	1	Direct measuring systems X/Y/Z	\$ 4,255.00	\$ 4,255.00
12	1	Spray gun for swarf removal	\$ 1,175.00	\$ 1,175.00
13	1	Internal coolant supply 20bar/600l	\$ 30,535.00	\$ 30,535.00
14	1	Swarf conveyor	\$ 7,973.00	\$ 7,973.00
15	1	Manual control panel	\$ 3,295.00	\$ 3,295.00
16	1	TRACYL-Cylinder surface interpolation	\$ 1,455.00	\$ 1,455.00
17	1	Machine version 60 Hz	\$ -	\$ -
18	1	INCH version	\$ -	\$ -
19	1	CSA Specification	\$ 2,535.00	\$ 2,535.00
20	1	DMG Netservice - client	\$ -	
	1	Special Package Discount for DMU50	\$ (135,708.00)	\$ (135,708.00)
	1	Ellison Technologies Installation - FREE OF CHARGE	\$ 4,500.00	
	1	Ellison Technologies Training - FREE OF CHARGE	\$ 3,000.00	
	1	Freight & Rigging (ESTIMATED) - See Charges Below	\$ 9,800.00	
		Loan of NMV5000 machine at no cost is subject to the purchase of the DMU 50. Loan will not be executed independent of sale.		
Sub-Total:				\$ 180,000.00
Sales Tax:				\$ 15,084.00
Freight/Rigging:				\$ 19,800.00
Total:				\$ 214,884.00
Deposit:				
Balance:				\$ 214,884.00

Machine delivery from CA. and NJ to De Anza College

The prices proposed herein are subject to change without notice. No contract is binding upon Ellison Technologies until accepted by you of ET's written order acknowledgment Form No. OA-167. The terms and conditions expressed on the reverse side of this form are an integral part of the contract of sale between Seller and buyer and are binding upon said parties, their successors and assigns. Buyer hereby grants Seller a purchase money security interest in all equipment sold under this Order Contract upon the terms set forth in paragraph 7 on the reverse side of this form.

Accepted: **Ellison Technologies**

By: **Fernando Garcia**

Date: **11/28/2012** Position: **President**

Ordered:

By:

Date:

De Anza College

Mike Appio Sign:

11/28/2012 Position: **Department Head**

Date: August 28, 2012

CONSIGNMENT AGREEMENT
AGREEMENT NO. US-L-29823

CONSIGNOR: Mori Seiki U.S.A., Inc.
2400 Huntington Blvd.
Hoffman Estates, IL 60192

CONSIGNEE: Foothill-De Anza Community College District
12345 El Monte Road
Los Altos Hills CA 94022

CONSIGNMENT LOCATION: De Anza College, 21250 Stevens Creek Blvd, Cupertino, CA 95014

Mori Seiki U.S.A., Inc. ("Consignor") agrees to enter into the following consignment agreement with Foothill-De Anza Community College District ("Consignee") for the Equipment listed below:

NMV5000DCG s/n NM501FE0002

In consideration for the consignment of the foregoing Equipment, Consignee agrees to the following Terms and Conditions of the Consignment Agreement:

1. The term of this Consignment shall be from **October 1, 2012 until September 30, 2013.**
2. Consignee shall pay all rigging, shipping and freight costs to move the Equipment to the Consignment location, Consignee shall pay all rigging, shipping and freight costs to move the Equipment from the Consignment location to Consignor's facility at the end of the term of this consignment.
3. Consignee shall maintain adequate insurance covering the Equipment for damage to the Equipment and damage to third parties arising from the Equipment during the term of the Consignment and shall provide Consignor with proof of such insurance. Consignee shall have Consignor named as an additional insured with respect to the Equipment.

4. Consignee will be financially responsible for any and all damage that occurs to the Equipment during the term of Consignment and until the Equipment is delivered back to Consignor unless such damage is the fault of Consignor. Consignor shall be the sole determiner of the cause of any damage that occurs.
5. Consignee shall execute all documents required by Consignor to protect Consignor's security interest in the Equipment, including Uniform Commercial Code form UCC-1.
6. The Equipment may only be located at the Consignment location and may not be moved without the express written permission of the Consignor.
7. During the Consignment and until the Equipment is delivered back to Consignor, Consignee may only use the Equipment for the following purposes training and education operation.

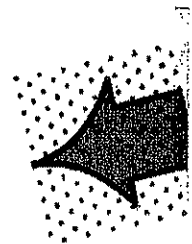
The Equipment shall not be used for ordinary commercial operation during the Consignment.

8. During the Consignment, Consignee shall display on the Equipment labeling describing the Equipment as property of Mori Seiki U.S.A., Inc.

CONSIGNOR,

CONSIGNEE,

R. Harland



RANDALL HARLAND
Executive Vice President
Mori Seiki U.S.A., Inc

Kevin McElroy
Vice Chancellor, Business Services
Foothill-De Anza Community
College District

August 29, 2012

DATE

DATE



ELLISON TECHNOLOGIES
9890 SOUTH PIONEER BLVD.
SANTA FE SPRINGS, CA 90670
PHONE (562) 949-4311
FAX (562) 549-5046

ORDER CONTRACT

Order Contract No.: FGDAC-Education-072612-V02

Bill To:
De Anza College
21260 Stevens Creek Blvd.
Cupertino CA 95014

Ship To:
De Anza College
21260 Stevens Creek Blvd.
Cupertino CA 95014

Attention: Mike Appio

Attention: Mike Appio

Ship Via: Best Way

Machine FOB: Davis, CA and Central Jersey, NJ
Accessories FOB: Factory

Payment Terms:

20% Down
70% Upon Delivery
10% Net 15

Freight	Ellison	Customer
Responsibility:		X
Rigging	Ellison	Customer
Responsibility:		X

Sales Tax: 8.36%



NM5000 DMG/Mori Seiki 5-Axis
Vertical Machining Center / DMG/Mori
Seiki DMU 50 New DMG Design

Item	Quantity	Description	Unit Price	Amount
1	1	NM5000 DMG/Mori Seiki 5-Axis Vertical Machining Center Serial Number: NM501FE002 Standard Options and Configuration	\$ 466,400.00	\$ 466,400.00
	1	Ellison Technologies Installation - FREE OF CHARGE	\$ 4,500.00	
	1	Ellison Technologies Training - FREE OF CHARGE	\$ 3,000.00	
	1	Freight & Rigging (ESTIMATED) - See Charges Below	\$ 10,000.00	
	1	Loaner Machine Provided At	\$ (466,400.00)	\$ (466,400.00)
2	1	DMG/Mori Seiki DMU 50 No. Serial Number: 1141567951	\$ 135,670.00	\$ 135,670.00
3	1	3D-control Siemens 840D	\$ -	\$ -
4	1	Swivel Rotary Table, simulta	\$ 58,135.00	\$ 58,135.00
5	1	Spindle speed up to 10,000 r	\$ 19,820.00	\$ 19,820.00
6	1	Tool clamping for CAT40	\$ 1,190.00	\$ 1,190.00
7	1	Tool magazine 30po SK40 v	\$ 27,870.00	\$ 27,870.00
8	1	Infrared Measuring Probe PP	\$ 8,540.00	\$ 8,540.00
9	1	3D Quickset	\$ 6,280.00	\$ 6,280.00
10	1	Tool Measuring Device Held	\$ 7,080.00	\$ 7,080.00
11	1	Direct measuring systems X/	\$ 4,255.00	\$ 4,255.00
12	1	Spray gun for swarf removal	\$ 1,175.00	\$ 1,175.00
13	1	Internal coolant supply 20bar	\$ 30,535.00	\$ 30,535.00
14	1	Swarf conveyor	\$ 7,973.00	\$ 7,973.00
15	1	Manual control panel	\$ 3,295.00	\$ 3,295.00
16	1	TRACYL-Cylinder surface in	\$ 1,455.00	\$ 1,455.00
17	1	Machine version 60 Hz	\$ -	\$ -
18	1	INCH version	\$ -	\$ -
19	1	CSA Specification	\$ 2,535.00	\$ 2,535.00
20	1	DMG Netservice - client	\$ -	\$ -
	1	Special Package Discount fo	\$ (135,708.00)	\$ (135,708.00)
	1	Ellison Technologies Installation - FREE OF CHARGE	\$ 4,500.00	
	1	Ellison Technologies Training - FREE OF CHARGE	\$ 3,000.00	
	1	Freight & Rigging (ESTIMATED) - See Charges Below	\$ 9,800.00	
		Loan of NM5000 machine at no cost is subject to the purchase of the DMU 50. Loan will not be executed independent of sale.		
		Sub-Total:	\$ 180,000.00	
		Sales Tax:	\$ 16,084.00	
		Freight/Rigging:	\$ 18,800.00	
		Total:	\$ 214,884.00	
		Deposit:		
		Balance:	\$ 214,884.00	

Machining delivery from CA and NJ to De Anza College

Accepted: Ellison Technologies
By: Fernando Garcia
Date: 7/27/2012 Position: President

Ordered: De Anza College
By: Mike Appio Sign: 7/27/2012 Position: Department Head

**Manufacturing &
CNC Technology**

De Anza College, Cupertino, CA

Date: August 30, 2012
From: Mike Appio
Department Head / Manufacturing and CNC Technology
Re: CNC Machines Requisition Bid Exclusion / DMG Mori Seiki

I am submitting the following justification for waiving the bid process for the purchase of a new DMG/Mori Seiki DMU 50 simultaneous 5-axis Computer Numerical Controlled (CNC) vertical machining center. This purchase represents a unique set of circumstances that appear to make the bidding process unnecessary.

Please consider the following:

- In 2004 De Anza became the first and only official HAAS Technical Education Center in Northern California. As part of this partnership, De Anza purchased two Mini Mill 3-axis vertical milling machines and HAAS entrusted/consign De Anza with an SL-20 CNC lathe worth \$68,000 for the cost of shipping only. In 2007 De Anza purchased an SL-10 2-axis CNC lathe and Haas entrusted/consign De Anza with an EC-300 4-axis horizontal milling machine worth \$148,000 for the cost of shipping only. The partnership, as with most, started as a one year entrustment and is now in its eighth year and one of the strongest HAAS educational centers in the country. Partnerships such as these have been cornerstone of teaching advanced manufacturing in the Silicon Valley for years. This partnership and purchases were approved by the board and were excluded from the bid process
- The current proposal by DMG/Mori Seiki, builder of the most versatile 5-axis machines in the world, is to partner with De Anza College to become the first community college in the country to become a DMG Mori Seiki University (DMSU) Educational Partner. The major contribution is to entrust/consign a Mori Seiki NMV5000 5-axis Vertical Machining Center at zero cost at the same time we purchase the DMG DMU 50 5-axis simultaneous Vertical Machining Center. The machine DMG/Mori Seiki is supplying is a 5-axis Vertical Machining Center valued at over \$450,000 dollars. The DMU 50 5-axis machine, which De Anza would purchase, is valued at over \$315,000 dollars and is being offered to the De Anza College MCNC program for \$180,000 dollars. This very generous proposal, which provides the most advanced equipment in the world, matches our cost dollar-for-dollar by four to one. This agreement was negotiated with, and is being offered through, DMG/Mori Seiki USA. Hoffman Estates, Illinois. Ellison Technologies Inc. is the only vendor of DMG/ Mori Seiki equipment in seven western states and has been assigned by the factory to sell, install, and service the equipment. Therefore, there is no other vendor who can bid on this equipment.
- The MCNC program supports the local manufacturing community. Students must be trained on the same equipment used in the high tech Silicon Valley. DMG/Mori Seiki is one of the largest manufacturer of 5-axis CNC machining centers in the world and is the most popular brand used by local companies, such as Apple, Intuitive Surgical and Northrop Grumman to name a few. Considering DMG/Mori Seiki is the local 5-axis industry standard and due to the complexity of curriculum development, programming, operation, maintenance, and safety issues related to these machines, the faculty made the decision last year to teach classes based on the local industry standard. It was the only logical way to successfully deal with these issues and allow for the development of a high quality instructional program.

I am requesting this purchase be excluded from the bidding process. Your consideration of this issue would be much appreciated.