

MEETING DATE: OCTOBER 20, 2004

SUBJECT: Procurement Authorization - Supply Of Elf Bus Parts

RECOMMENDATION

It is recommended that the Commission authorize the award of a one-year inventory supply contract for the supply of ELF Bus parts for the period November 2004 to October 2005 to Overland Custom Coach Inc. for an upset limit of \$225,000 CAD including applicable taxes.

FUNDING

Sufficient funds have been included in the 2004 Wheel-Trans Operating Budget and will be included in future Operating Budgets as appropriate. These inventory materials will be charged to the appropriate budget at the time of issuance from Stores.

BACKGROUND

The subject parts are used to maintain the Commission's Wheel-Trans ELF bus fleet. Several examples include doors, control arms, door mouldings, springs, seals, steering, brackets, and fenders.

DISCUSSION

On July 6, 2004, Overland Custom Coach Inc. (OCC) was requested to submit a proposal on the basis of single source, as they are the Original Equipment Manufacturer of the ELF Bus (OEM) and the only known source of supply for these parts.

The Request for Proposal (RFP) requested pricing for 284 items for a three-year period on the basis of estimated forecasted quantities based on an Upset Limit. OCC provided pricing for 273 of the 284 items at a total proposed value of \$1,040,906.73, as detailed on the attached Appendix 'A'. However of the 273 items priced, 81 were removed from the evaluation for various reasons (i.e. alternate suppliers identified since the issuance of the RFP, pricing was too high, part number/specification changes, etc.). As a result, only 192 items are being recommended for award. Staff will continue to negotiate with OCC or find alternate suppliers for those items removed from the evaluation to ensure there is an acceptable source of supply.

OCC took exception to the Commission's standard terms for Proposal Pricing and Acceptance of Proposals, however as a result of staff's negotiations with OCC, these exceptions were rescinded. OCC also stated they would not be held responsible for late delivery of parts to TTC. Staff negotiated with OCC, and it was agreed they would not be held responsible if the late delivery was due to forces beyond OCC's control. This revised term is considered acceptable and OCC did not state any other exceptions or qualifications.

OCC's pricing was compared to the last purchase price over the last 24 months, which revealed an approximate increase of 1.1% in year 1 of the contract, with increases of approximately 5.0% in year 2 over year 1 prices, and 5.0% in year 3 over year 2 prices.

Staff contacted OCC to negotiate lower pricing and OCC agreed to lower year 1 pricing. A price comparison revealed an increase of approximately 0.4% in year 1 of the contract. However, OCC would not reduce their increases of 5.0% in years 2 and 3, and stated their costs had increased due to steel surcharges, energy and transportation cost increases, and overall material costs. OCC maintained they

require the 5.0% increases in years 2 and 3 to cover their anticipated cost increases over that period.

Staff considers OCC's increases in years 2 and 3 to be excessive and unsubstantiated. As a result, staff negotiated with OCC who have agreed to a one-year contract based on the negotiated pricing for year 1. Based on the negotiated terms, OCC's proposal is considered commercially acceptable. They are recommended for the award of a one-year contract in the upset limit of \$225,000 for the supply of ELF bus parts.

The recommended upset limit includes a contingency of approximately 10% to cover variances between forecasted and actual usage and for new items not yet identified which may be added to the contract during the contract term.

JUSTIFICATION

These ELF bus parts are required in order to support the Commission's bus maintenance needs for the Wheel-Trans fleet.

October 7, 2004
9-118-61

APPENDIX 'A'

SUPPLY OF ELF BUS PARTS

PROPOSAL SUMMARY

COMPANY	NUMBER OF ITEMS BID	TOTAL PROPOSAL PRICE (3 YEARS)	NUMBER OF ITEMS RECOMMENDED	TOTAL PROPOSAL PRICE FOR 192 ITEMS (1 YEAR)
Overland Custom Coach Inc.	273	\$1,040,906.73	192	\$206,013.08