

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 6, 2007

SUBJECT: PROCUREMENT AUTHORIZATION – PURCHASE OF FORTY-FOOT HYBRID LOW FLOOR CITY BUSES

RECOMMENDATION

It is recommended that the Commission authorize the following:

1. The award of a contract to DaimlerChrysler Commercial Buses North America Ltd. (DCC) in the amount of \$89,992,616.94 for the supply of 130 Forty-Foot clean diesel-electric Hybrid low floor city buses for delivery in 2009, and;
2. The disposal of up to 130 existing buses scheduled to be replaced by the delivery of the aforementioned hybrid buses in 2009.

FUNDING

Sufficient funds for the purchase of 130 low-floor buses were included in project 4.11 Purchase of Buses, under Future Purchase of 130 Replacement Forty-Foot Low Floor Diesel/Electric Hybrid Buses or Equivalent (2009) as set out on pages 1037 to 1038 - category State of Good Repair/Safety of the TTC 2008-2012 Capital Program as approved by the Commission on November 14, 2007.

BACKGROUND

The Bus Fleet plan that was provided in the Capital Budget Submission for the period of 2008 to 2012 is consistent with the 2007-2011 fleet plan and provides for the procurement of vehicles necessary to conduct operations in accordance with the Commission's transit service requirements. A need exists for the delivery of 130 forty-foot buses or equivalents in 2009 and 80 forty-foot buses or equivalents in 2010 to replace those identified for retirement based on age and condition was shown. This bus procurement was approved by City Council on March 7, 2007 in its approval of the TTC 2007-2011 Capital Program.

DISCUSSION

The procurement initially entailed the supply of up to 210 forty-foot low floor diesel-electric hybrid city buses or up to 150 sixty-foot articulated low floor diesel-electric hybrid city buses (or any combination thereof) for delivery as early as possible in 2009 with completion by the end of 2010.

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The Request For Proposal (RFP) requirements included the provision for the TTC to negotiate with proponents and also the right to award a contract to more than one proponent at its discretion.

Specifications were prepared and a Request for Proposals (RFP) was posted on the TTC M&P's website and issued to six companies on March 8, 2007, out of which the Commission received submissions from DCC and New Flyer Industries Ltd. (New Flyer) on June 8, 2007.

The submissions from DCC and New Flyer were responsive to the RFP submission requirements, with DCC offering pricing on forty-foot diesel-electric hybrid buses only and New Flyer offering pricing on both forty-foot and sixty-foot diesel-electric hybrid buses. Both companies listed numerous commercial and technical exceptions/qualifications to the RFP specified requirements. Due to the nature and magnitude of the exceptions stated, staff entered into concurrent negotiations with both proponents in an attempt to reach an acceptable agreement.

DCC 's submission stated the lowest pricing for the forty-foot bus configurations between the two proponents. The DCC submission also offered an acceptable delivery schedule which would commence in Spring 2009.

New Flyer's submission offered a delivery schedule for sixty-foot buses which upon review staff have determined will not ensure deliveries in 2009 and therefore would not satisfy the TTC's specified requirement for the delivery of new buses as early as possible in 2009.

As a result of the favourable pricing for the forty-foot bus offered by DCC, ensuing negotiations pertaining to the procurement of forty-foot hybrid buses were focused with DCC while concurrent negotiations with New Flyer were focused on the possible procurement of sixty-foot hybrid buses.

Concurrent negotiations facilitated the initial recommendation for the procurement of 130 forty-foot hybrid buses to ensure bus deliveries in 2009, and may also permit a subsequent recommendation for the procurement of sixty-foot articulated hybrid buses for deliveries to commence in 2010, pending staff's assessment of the results of the contract negotiations and the future requirements for sixty-foot buses.

Staff have concluded negotiations with DCC for the forty-foot buses while negotiations with New Flyer for sixty-foot buses are continuing. In view of the lengthy post award bus production lead times involved, staff are currently recommending the procurement of 130 forty-foot hybrid buses from DCC to ensure bus deliveries in 2009. As previously noted, the RFP requirements allow the TTC to issue multiple awards for forty-foot and/or sixty-foot buses in any combination thereof.

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The DCC bus configuration being offered is the forty-foot Orion VII Next Generation model and will be consistent with the current hybrid buses presently being delivered to the TTC as part of the 2007/2008 contract orders previously awarded to DCC.

As a result of negotiations with DCC, an acceptable pricing and delivery schedule has been agreed upon for the order of 130 buses. In addition, all commercial and technical exceptions have either been withdrawn or clarified/modified to be mutually acceptable to staff and DCC.

DCC also offered optional pricing for the provision of a \$5 million performance bond and a 2% warranty bond valid for 5 years after delivery of the last bus. Both options are recommended for acceptance due to the magnitude of the contract, duration of the warranty periods and the reasonable bond costs proposed (totalling approximately \$1,287/bus).

DCC also offered optional pricing for the provision of bicycle racks, station stop announcement system provisions, decals and miscellaneous bus accessories, all of which are included in the amount recommended for approval.

Refer to attached Appendix 'A' for pricing evaluation and comparison of the submitted forty-foot bus proposals from both DCC and New Flyer.

The pricing for the base order of 130 buses remains valid for acceptance until January 31, 2008.

In addition to the base order of 130 forty-foot buses, DCC has offered pricing for optional purchases of up to an additional 80 low floor forty-foot hybrid buses for delivery in 2010, and up to an additional 200 forty-foot hybrid buses for delivery in 2011, valid for acceptance by the Commission until September 2008 and July 2009 respectively.

DCC has satisfactorily completed work of a similar size and nature for the Commission and other transit properties in the past. The negotiated proposal from DCC is considered commercially and technically acceptable.

New Flyer submitted a proposal which offered higher pricing per forty-foot bus and stated numerous commercial and technical exceptions/qualifications to the RFP specification such as payment terms, latent defects, warranty, firm pricing validity, option pricing and technical performance issues. The resolution of these issues requires continued negotiations in order to reach an acceptable agreement. However, the proposed delivery schedule which staff have determined will not ensure the TTC's requirement for substantive deliveries in 2009, would have an impact on reliability/safety and maintenance costs as well as ability to meet service.

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Concurrent with staff's recommendation for the procurement of buses from DCC to ensure delivery in 2009, negotiations are continuing with New Flyer to accommodate the procurement of sixty-foot articulated buses. The result of these negotiations will be covered in a subsequent report to the Commission for the procurement of buses with deliveries to commence in 2010.

JUSTIFICATION

Due to the lead-time of 18-24 months required for the bus procurement process, it is critical that a contract be awarded in 2007 to ensure the delivery of new hybrid low floor buses in 2009. Approval of the foregoing recommendation will accommodate this requirement while negotiations and business case analysis can continue for the possible procurement of sixty-foot articulated buses.

November 22, 2007
5-92-91

Appendix "A"

Procurement of Forty-Foot Hybrid Low Floor City Buses *

Description	Quantity of Buses	DCC	New Flyer
Base Order (130 Buses)			
Low Floor Diesel/Electric Hybrid City Buses	130	\$89,299,538.95	\$102,763,050.00 *
Specified Options	130	\$525,766.80	N/A **
Other Options for Hybrid Buses			
Bonding	-	\$167,311.19	N/A **
Total Amount		<u>\$89,992,616.94</u>	

*Note: For evaluation purposes the New Flyer pricing noted above is based on New Flyer's submission and represents the Forty-Foot Hybrid base bus configuration, complete with features, which are similar to those proposed by DCC.

**Note: As a result of New Flyer's unacceptable schedule and pricing variance, New Flyer did not participate in the later stages of the Forty-foot bus negotiations. Therefore, updated pricing information associated with options etc. which was requested from DCC was not available from New Flyer.