

# Procurement Authorization Amendment - Option To Purchase 120 Forty-Foot Hybrid Low Floor City Buses

Meeting Date: August 27, 2008

Subject: Procurement Authorization Amendment - Option To Purchase 120 Forty-Foot Hybrid Low Floor City Buses

## **Recommendation**

It is recommended that the Commission:

1. Authorize staff to exercise the contract option with Daimler Buses North America Ltd. (Daimler) in an amount of \$ 56,251,827.54 including all taxes for the purchase of 80 forty-foot low floor hybrid Orion VII NG buses for delivery in 2010 with the option to be exercised no later than September 30, 2008, and
2. Authorize staff to exercise the contract option with Daimler Buses North America Ltd. (Daimler) in an amount of \$ 28,125,913.77 including all taxes for the purchase of a supplementary order of an additional 40 forty-foot low floor hybrid Orion VII NG buses also for delivery in 2010, subject to the approval by Council of the City of Toronto, and
3. Forward a copy of this report to the City of Toronto for consideration by Council requesting project commitment and approval in October, 2008 to proceed with the award of the supplementary order of an additional 40 forty-foot buses, to be exercised no later than October 31, 2008, and
4. Authorize staff to dispose of those buses retired as a result of the purchase of the two recommended option orders totalling 120 buses in the best interest of the Commission.

## **Funding**

Sufficient funds for the purchase of the 80 low floor buses were included in 4.11 Purchase of Buses, under Future Purchase of 80 Replacement Forty-Foot Low Floor Diesel-Electric Hybrid Buses or Equivalent (2010) as set out on pages 1039 to 1040 – category State of good Repair/Safety of the TTC 2008-2012 Capital program as approved by City Council on December 11, 2007.

Funding for the additional purchase of the supplementary order of 40 additional low floor buses is included in the proposed 2009 to 2013 Capital Budget submission.

## **Background**

The Bus Fleet plan that was provided in the Capital Budget Submission for the period of 2008 to 2012 was consistent with the 2007-2011 fleet plan and provides for the procurement of 480 vehicles necessary to conduct operations in accordance with the Commission's transit service requirements. A need exists for the purchase of 130 forty-foot buses or equivalent in 2009, and 80 forty-foot buses, or equivalent, in 2010 to replace those identified for retirement based on age and condition and to address ridership growth and maintenance spares. This bus procurement was approved by City Council on December 11, 2007 in its approval of the 2008-2012 Capital Program.

The need for an additional 40 buses was recently identified in the current plan (520 buses), as a result of an increase in peak service requirements in 2010 due to increasing ridership demands. This increase includes a small quantity of buses to reflect a low floor premium when replacing standard floor buses as well as spares to accommodate various out-of-service conditions and maintenance for the increase in fleet size. This additional requirement in 2010 is reflected in the proposed 2009-2013 TTC Capital Program which includes a procurement quantity of 120 buses for the year 2010.

In order to accommodate the Commission's anticipated Bus Fleet plan requirements for the period of 2009 through 2010, a Request for Proposals (RFP) was posted on the TTC M&P Web site and issued to six companies in March 2007, out of which the Commission received submissions from Daimler (formerly DaimlerChrysler Commercial Buses North America Ltd.) and New Flyer Industries Ltd. (New Flyer) in June 2007.

The RFP requirements entailed the supply of up to 210 forty-foot low floor hybrid city buses or up to 150 sixty-foot articulated low floor hybrid city buses allowing the TTC to issue multiple awards for forty-foot and/or sixty-foot in any combination thereof for delivery as early as possible in 2009 with completion by the end of 2010.

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

The concurrent negotiations resulted in the Commission's award of Contract C32PY08704 in December 2007 to Daimler for the procurement of 130 forty-foot buses to ensure deliveries in 2009. Further negotiations continued with New Flyer in an effort to facilitate a subsequent recommendation for the procurement of sixty-foot articulated 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.

Contract C32PY08704 details are as follows:

- Original Contract Amount (130 Buses) - \$89,992,616.94
- Previously Approved Amendments - 218,136.22
- Security Camera System Amendment (Pending Approval)- 1,280,945.13
- Amount of this Amendment (80 Buses) - \$56,251,827.54
- Amount of this Amendment (40 Buses pending City approval)- \$28,125,913.77
- Revised Contract Amount - \$175,869,439.60

In addition to the above noted base order of 130 forty-foot buses previously awarded, Daimler offered pricing for the optional purchase of additional buses, identical in configuration to that of the base order, plus equipment amendments, with associated delivery periods and the respective validity dates for Commission acceptance as follows: up to 80 buses for delivery in 2010 valid for acceptance until September 30, 2008; up to an additional 80 buses also for delivery in 2010 valid for acceptance until October 31, 2008.

Daimler have offered to maintain the preferred pricing terms as established in the previously awarded base 2009 delivery order to be applicable to the two optional orders for delivery in 2010 on the condition that Commission acceptance of either or both of the orders is achieved prior to the respective validity dates as noted. Thereafter, additional cost increases would be applicable.

### **Discussion**

The ensuing sixty foot articulated bus negotiations with New Flyer involved numerous stated exceptions/qualifications to the RFP specification such as payment terms, latent defects, warranty terms and conditions, contract security, delivery and technical performance issues. These negotiations have failed to result in the achievement of an agreement suitable for recommendation by staff for the procurement of sixty-foot articulated buses at this time for commercial and operational reasons.

In view of the Commission's need for new buses to replace the older vehicles in our fleet, and to accommodate ridership growth requirements as scheduled in 2010, as well as the substantial bus production lead time requirements ranging between 18 to 24 months between award and delivery, it is essential that the new buses are procured at the earliest possible date. Since the option pricing offered by Daimler for additional forty foot buses is deemed to be fair and reasonable, and since all optional buses can be delivered in 2010, staff recommend that the Commission exercise the bus option order for an additional 120 buses in the contract with Daimler to take advantage of the favourable pricing and the related benefits of a common model in the TTC fleet. This will also ensure that TTC's order can be entered into Daimler's production schedule to prevent any delay in delivery.

The recommended procurement also includes costs for the provision of additional features such as bike racks, a complete security camera system, and the rough-in provision for a station stop announcement system.

**Justification**

The current Bus Fleet Plan reflects the need to replace buses that are scheduled for retirement in 2010 and beyond, as well as those required to address a significant increase in service demands. Additionally, there is a small contingency to reflect the low floor premium when replacing standard floor buses as well as some for warranty and retrofit support.

The unit price of these hybrid Orion VII NG buses scheduled for delivery in 2010 remains unchanged from the pricing of those purchased from Daimler in a competitive bid for delivery in 2009. The pricing is very reasonable and it is recommended that this option with Daimler be exercised to take advantage of the favourable pricing and the related benefits of a common model in the TTC fleet.

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