

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** February 27, 2008

**SUBJECT:** PROCUREMENT AUTHORIZATION AMENDMENT – SUPPLY  
OF ORION VII NEXT GENERATION HYBRID BUS PARTS FOR  
UP TO A 2 YEAR TERM

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## RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order amendment to extend the contract with DaimlerChrysler Commercial Buses North America (Daimler) for the supply of Orion VII Next Generation Hybrid (NG Hybrid) bus parts from February 29, 2008 to January 31, 2010 and to increase the upset limit by \$2,600,000 to a revised total upset limit of \$3,000,000.

## FUNDING

Sufficient funds have been included in the 2008 TTC Operating Budget and will be included in future Operating Budgets as appropriate. Inventory material is charged against budget at the time of issuance from Stores.

## BACKGROUND

The Commission is currently receiving the 2007 order of 224 Orion VII NG hybrid buses. An additional 190 of these buses is scheduled for delivery by the end of 2008. As a result of design changes in NG Hybrid over the older version, staff had identified approximately 430 new parts that were being added to M&P's inventory to maintain these buses. Daimler is considered the original equipment manufacturer and is currently the only known source of supply for these NG Hybrid buses at this time.

As the parts were being added to inventory, staff was negotiating pricing and delivery terms with Daimler. In the meantime, staff was purchasing new parts as required on a one-off emergency basis, however under this process vehicles may be out of service for two or more days waiting for parts. Since a number of buses were already in service and more were arriving weekly, it was critical the issuance of a master order with Daimler be accelerated to ensure the uninterrupted supply of parts to enable the increasing number of NG Hybrid buses to be maintained in service.

In January 2008 the Chief General Manager approved an interim order to Daimler on a single source basis for the supply of new parts for the NG Hybrid bus in the upset limit amount of \$400,000 until approval could be obtained for the supply of these parts for a 2 year term from the Commission at its meeting on February 27, 2008.

**DISCUSSION**

Approximately 93 NG Hybrid buses had been received as of February 7, 2008 and staff has now identified a total of 451 unique NG Hybrid parts to be inventoried, of which Daimler has priced all but 35 parts. Staff expects to resolve the pricing for the remaining parts by February 20, 2008. As the buses are new to Daimler and as the TTC is one of the first customers for these buses, Daimler has not yet established pricing for all the parts and the process is taking longer than expected.

Only 85 of the parts priced to date have been previously purchased and a comparison of Daimler's original pricing with the last purchase prices for these parts revealed an overall decrease of approximately 3%. The year two pricing is the same as the year one pricing, but Daimler stated that their pricing for some of the parts for year two is subject to change as they have not received 2008 pricing from all of their vendors. Staff will negotiate with Daimler regarding any requested price revisions for year two.

Based on the pricing received from Daimler, staff is recommending an increase of \$2,600,000 to the existing order of \$400,000 for a revised total upset limit of \$3,000,000 for the approximately two year contract period ending January 31, 2010.

The recommended upset limit includes an allowance of approximately 15% for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the contract term.

Over the two year term of the contract, staff will be reviewing the Daimler single source NG Hybrid parts to determine the actual original equipment manufacturer for these parts, where possible. This will permit staff to reduce or eliminate these single source parts so that competitive bids could be requested in the future.

**JUSTIFICATION**

The issuance of an amendment in the amount of \$2,600,000 will ensure the uninterrupted supply of parts for the NG Hybrid buses until January 31, 2010.

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February 11, 2008  
9-118-75