

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: APRIL 3, 2009

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT - SUPPLY OF
ORION BUS PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve for inventory, additional funds in the amount of \$9,845,000 for the purchase order with Daimler Buses North America Limited for the supply of various Orion bus parts resulting in a revised total upset limit of \$18,895,000.

FUNDING

Sufficient funds have been included in the 2009 TTC 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 for varying maintenance applications of the Commission's Orion bus fleet.

At its meeting of January 21, 2009, the Commission approved the award of a three-year inventory supply contract for various Orion bus parts for the period from February 2009 to January 2012 for 1,249 part types to Daimler Buses North America Limited in the upset limit amount of \$9,050,000.

DISCUSSION

During the evaluation of the original proposal submission staff had identified 137 part types where the prices received were considered significantly high by staff, hence those parts were deselected from the initial award recommendation on the premise that staff would negotiate pricing with the intent to subsequently add them to the current contract.

As a result of the post award negotiations on the 137 parts types, staff has been successful in achieving reduced pricing attaining a cost avoidance to the Commission of approximately \$335,000 over the term of the contract. Daimler Buses North America Limited has advised that they have offered the Commission their best pricing and could not reduce prices any further.

Therefore, the negotiated pricing for these 137 part types will be approximately 4% higher for the duration of the first year of the contract when compared to current pricing. The pricing for year two is approximately 4% higher when compared to year one pricing and approximately 4% higher in year three when compared to year two pricing.

Daimler Buses North America Limited have attributed the price increases due to increased costs from their suppliers of fabricated parts (which are proprietary to Daimler Buses North America Limited) based on lower quantity aftermarket parts; the increased cost of steel and; increased labour costs. On this basis, staff considers the price increases as reasonable and are therefore recommending award of all of the 137 part types to be added to the existing contract.

The additional funds recommended includes a contingency of approximately 20% for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the remaining term.

JUSTIFICATION

These Orion bus parts are required in order to support the varying maintenance needs of the Commission's Orion bus fleet.

March 13, 2009
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