

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: DECEMBER 16, 2009

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF DAIMLER
HYBRID BUS PARTS

ACTION ITEM:

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract to Daimler Buses North America Limited for the supply of various Orion hybrid bus parts for the period from January 2010 to January 2013 for an upset limit contract of \$5,716,000, including applicable taxes.

FUNDING

Sufficient funds will be included in the 2010 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 needs on the Commission's hybrid bus fleet.

DISCUSSION

Daimler Buses North America Limited (Daimler) was invited to submit a proposal on July 23, 2009 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 492 pre-approved part types of which 490 part types are being recommended for award. The 2 part types that are not being recommended at this time are comprised of 1 part type that was not quoted due to unavailability (staff will investigate) and 1 part type where the price increase is deemed unacceptable by staff.

Daimler's initial proposed value was \$4,825,115.52 based on 491 part types. Their pricing was approximately 8% lower for the first year of the contract compared to current pricing. The pricing would be approximately 4% higher in year two compared to year one pricing and approximately 4% higher in year three compared to year two pricing. During the initial evaluation, staff identified 127 part types where the pricing submitted was unacceptably high. Staff contacted Daimler Buses North America Limited to negotiate price reductions and were successful in achieving savings on 37 part types thereby reducing their proposal value to \$4,786,702.00 on the 491 part types – a savings of approximately \$38,000. Staff will continue to negotiate on the balance of the 90 part types

As a result of negotiations, pricing will be approximately 9% lower for the first year of the contract compared to current pricing. The pricing will be approximately 4% higher in year two compared to year one pricing and approximately 4% higher in year three compared to year two pricing. They advised that they could not reduce pricing any further. They did however state that the price increases are attributable to increased costs from their suppliers, increased costs in labour, energy and transportation.

Daimler's submission also contained qualifications regarding part number changes on 5 part types. They have advised the nature of the changes are administrative only with no change to fit form or function. Staff deemed these qualifications as acceptable.

The recommended upset limit includes approximately 20% contingency for variances between forecasted and actual usage and new parts yet to be identified, which may be added to the contracts during the contract term.

JUSTIFICATION

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

November 19, 2009
9-118-55
