

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: January 21, 2009

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF ORION BUS
PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of various Orion bus parts for the period February 2009 to January 2012 to Daimler Buses North America Ltd. (Daimler) in the upset limit of \$9,050,000 including applicable taxes.

FUNDING

Sufficient funds to cover these items have been included in the 2009 TTC Operating Budget and will be included in future budgets as required. These inventory materials will be charged to the appropriate budget at the time of issuance from Stores.

BACKGROUND

The subject parts are used to maintain the Commission's Orion bus fleet. Several examples include front kneeling switches, exhaust pipes and steering shafts.

DISCUSSION

Daimler was invited to submit a proposal on August 18, 2008 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 1,406 pre-approved part types of which 1,249 are being recommended for award. The 157 part types that are not being awarded are comprised of 16 part types that were not priced by Daimler, 137 part types where price increases were considered significantly high by staff and 4 part types that will require further investigation by staff. Staff will investigate these part types and they may be the subject of a future request for proposal.

Daimler's original total proposed value was \$16,031,448.72 based on 1,383 part types quoted. The original pricing received for the new three-year inventory supply contract was approximately 30% lower in the first year of the contract based on current pricing. There were increases of 5% in year two based on year one pricing and 5% in year three based on year two pricing based.

Staff contacted Daimler to negotiate price reductions and during negotiations Daimler advised their original bid submission contained numerous and significant errors and as a result, they reviewed the entire requirement and submitted a revised bid. A comparison of the revised pricing resulted in an overall increase of approximately 3% during the first year of the contract, and increases of approximately 4% in year two based on year one pricing and approximately 4% in year three based on year two pricing. The price increases are attributed to increased costs for fabricated parts that are no longer purchased in large quantities for production of new buses, rather lower volumes for aftermarket parts as well as higher material and labour costs.

Although staff considers the overall price increases from year to year acceptable, there are significant increases for 137 part types and staff will require additional time to negotiate pricing and as a result, these 137 part types are not being recommended for award at this time. The removal of these 137 part types results in a revised pricing comparison of approximately 2% lower in the first year based on current pricing and approximately 3% higher in year two based on year one prices and approximately 3% higher in year three based on year two prices.

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 contract during the contract term.

JUSTIFICATION

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

January 8, 2009
9-118-30