

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: October 29, 2009

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT – OPTIONS
TO PURCHASE 95 FORTY-FOOT CLEAN DIESEL LOW FLOOR
CITY BUSES

ACTION ITEM

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 \$18,961,931.10 including all taxes, for the purchase of 35 Forty-foot low floor clean diesel Orion VII NG buses for delivery early in 2011 with the option to be exercised no later than December 18, 2009 ; and
- 2) Authorize staff to exercise the offer with Daimler Buses North America Ltd. (Daimler) in an amount of \$32,506,167.60 including all taxes for the purchase of 60 Forty-foot low floor clean diesel Orion VII NG buses for delivery early in 2012 with the offer to be exercised no later than December 18, 2009; and
- 3) Authorize staff to dispose of those buses retired as deemed appropriate as a result of the purchase of the two aforementioned option orders in the best interests of the Commission.

FUNDING

Sufficient Funds to purchase these buses are included in Project 4.11 – Bus Purchases, under future purchase of replacement 40-ft. low floor clean diesel buses or equivalent (2011 on), as set out on pages 967-968, Category State Of Good Repair/Safety of the 2010-2014 Capital Program, as approved by the Commission on September 24, 2009.

BACKGROUND

Previously, in order to accommodate the Commission's anticipated Bus Fleet plan requirements for the period of 2009 through 2011, a Request for Proposals (RFP) which included the supply of forty-foot low floor hybrid and/or diesel buses, was undertaken in 2007, from which the Commission received submissions from Daimler and New Flyer Industries Ltd. (New Flyer).

**PROCUREMENT AUTHORIZATION AMENDMENT –
OPTION TO PURCHASE 95 40-FOOT HYBRID LOW
FLOOR CITY BUSES**

The Daimler RFP submission offered the lowest pricing for both the hybrid and clean diesel forty-foot bus configurations.

As a result of the RFP process, the Commission awarded a Contract in December 2007, to Daimler for the procurement of 130 forty-foot diesel-electric hybrid buses for delivery in 2009. In addition to the base order of 130 buses, the contract also included individual options for the procurement of additional buses for delivery in future years. As part of these proposed options, Daimler offered to maintain the 2009 delivery pricing as established in the original RFP for the optional purchase of additional buses for delivery in 2010. At its meeting of October 23, 2008, the Commission exercised this option by authorizing the procurement of an additional 120 clean diesel buses from Daimler for delivery in 2010.

At present, the 130 Li-Ion Hybrid buses for delivery in 2009 have been fully delivered and accepted as of early September 2009. This delivery was approximately three weeks ahead of the contract delivery schedule and production planning for the 2010 bus order is on schedule to ensure full delivery by the Fall of 2010 as per contract.

A Bus Fleet plan was originally provided and approved by the Commission at its meeting of September 24, 2009 for the procurement of 385 buses necessary to conduct operations in accordance with the Commission's transit service requirement. Subsequent to this submission, further reviews and discussions have taken place in regard to the various parameters that affect the size of the bus fleet leading to an adjustment to the fleet that is reflected in the revised fleet plan dated October 22, 2009 attached to this report as Appendix 1. This plan identifies a need for only 35 new Forty-foot buses in 2011 and 60 in 2012.

Contract details are as follows:

Original Contract Amount	\$ 89,992,616.94
Previously Awarded Amendments (incl. 130 buses in 2010)	\$ 62,694,852.57
Amount of this Amendment (35 Buses 2011)	\$ 18,961,931.10
Amount of this Amendment (60 Buses 2012)	\$ 32,506,167.60
Revised Contract Amount	\$ 204,155,568.21

As previously noted, as part of the original RFP, Daimler also offered pricing for the optional purchase of additional buses for delivery in 2011, similar in configuration to that of the 2010 order including driver's barrier, bike racks, camera systems etc. The 2011 option bus pricing offered incorporates a 2% price increase over that of the 2009/2010 orders, plus an additional cost increase due to the impact of more stringent Environment-Canada legislated engine exhaust emission regulations being introduced industry wide by the time of this order. Daimler's option offers a fully flexible delivery period within 2011, dependent on the Commission's timing requirement for deliveries in 2011, to meet anticipated service demands.

In addition, Daimler have offered to maintain the favourable pricing and flexible delivery terms of the 2011 option for a further offer of additional buses for delivery in 2012. This offer is also valid for acceptance until December 18, 2009; thereafter additional cost increases and delivery schedule limitations would be applicable.

Bus Purchases for future years will be subject to a new competitive proposal process. At this time, it is anticipated that industry will have had sufficient time to evaluate the newly designed articulated bus manufactured by Novabus to demonstrate its reliability. Novabus has received orders from various transit properties in the Province of Quebec and from New York City Transit for delivery in the next two years. Staff will monitor the experiences of these properties with the new model bus as well as that of other bus manufacturers to determine their viability for use in Toronto, and will explore opportunities for the inclusion of articulated buses in its fleet in 2013.

DISCUSSION

In view of the Commission's need for new forty-foot buses, as detailed in the 2010-2019 Bus Fleet Plan, and to address 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.

As part of the evaluation to consider a procurement from multiple manufacturers for the 2011 and 2012 delivery years, staff canvassed New Flyer Bus Industries (New Flyer) and Nova Bus (Nova).

As a result of the responses, New Flyer advised they do not presently offer a bus configuration (i.e. inherently corrosion-resistant frame material) that is compliant with TTC's specification requirements. Therefore, New Flyer would not be able to provide a compliant bid in an RFP process at this time. However, if New Flyer is prepared to provide a bus configuration acceptable to TTC requirements, they will be considered for future competitive requirements beyond 2012.

In 2007, Novabus did not respond to the TTC Request for Proposals for new 40 foot buses. At that time their design would not have been compliant with TTC specifications due to the off-set diesel engine in lieu of the required T-drive configuration. During a recent canvas of Bus manufacturers, Novabus advised that they have recently developed a new bus configuration which in part incorporates a re-design of the engine alignment to accommodate a T-drive configuration, a TTC requirement, which in turn has resulted in revised drive train components and structural modifications. The new model has only recently been introduced into revenue service and as such has not been exposed to sufficient miles in service to demonstrate the durability of the new design. Once Nova has demonstrated the durability of the new design (i.e. approximately one to two years in revenue service) Nova will be considered for future competitive requirements beyond 2012.

The pricing offered by Daimler for additional buses in 2011 and 2012 is deemed to be fair and reasonable and they have demonstrated the capability of meeting contract delivery schedules to ensure deliveries within TTC's prescribed delivery requirements. As a result, Staff recommends that the Commission proceed with the 2011 and 2012 bus orders for an additional total of 95 forty-foot low floor diesel city buses to take advantage of the favourable pricing and the related benefits of a common model in the TTC fleet. A timely award will ensure that the TTC order can be entered into Daimler's production schedule to prevent any delay in delivery. Subsequent bus requirements would be the subject of a new competitive proposal process.

JUSTIFICATION

The acceptance of the 2011 optional order on the basis of exercising a contractual option, and the offered 2012 order, would ensure deliveries within TTC's 2011/2012 Fleet Plan requirements, and provide additional time for staff to assess the experiences in revenue service of the newly available potential alternatives from Nova and possibly New Flyer.

The Commission has presently purchased in excess of 1,350 new Orion VII buses since delivery began in January 2003. The offered unit price of these clean diesel Orion VII NG buses scheduled for delivery in 2011 and 2012 represents a 2% cost increase, plus the impact of emission control regulatory changes mandated for 2010 engines, from the competitive pricing offered in the original RFP for 2009 deliveries. The pricing is very reasonable and it is recommended these orders with Daimler be exercised to take advantage of the favourable pricing, the flexible delivery scheduling, and the related benefits of a common model in the TTC fleet.

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Attachment: Appendix 1: 2010 – 2019 Bus Fleet Plan (22 October 2009)

APPENDIX 1

2010-2019 BUS FLEET PLAN

(22 October 2009)

	<2008	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Model													
											Procurement		
											Mid-Life Rebuild		
											Retirement		
											GM LEP		
GMC DSL (1980-83)	173	73	52	58	12	30							
ORION V DSL (1991)	106	38	68										
ORION V DSL LE (1996-97)	185						81	57	47				
NOVA RTS DSL LE (1998)	52	2							9	43			
FLYER DSL LF (1999)	51	30	21							51			
ORION VII DSL (2003-07)	662												
ORION VII HYBRID (2006-10)	374	190	130										
ORION VII / TBD (2010-19)				120	35	60	60	40	75				
AVAILABLE	1603	1682	1744	1806	1829	1859	1838	1821	1840	1746	1746	1746	1746
Peak Service		1477	1476	1555	1584	1638	1621	1609	1631	1548	1512	1524	1505
Mtce. Spares		209	240	235	218	219	212	210	207	197	185	183	181
REQUIRED		1686	1716	1790	1802	1857	1833	1819	1838	1745	1697	1707	1686
CONTINGENCY		(4)	28	16	27	2	5	2	2	1	49	39	60

- Notes:
1. August 20, 2009 Service Plan
 2. No Transit City Bus Plan
 3. No Transit Signal Priority
 4. No Bus Mid-Life Rebuild Program

