

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: August 23, 2010

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT – OPTION
TO PURCHASE 88 LOW-FLOOR PARATRANSIT BUSES IN
2011-2012

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission approve:

- 1/ Authorizing staff to exercise the contract option with American Bus Products Inc. (ABP) for the purchase of an additional 88 Low-Floor Paratransit Buses, and all associated work, for delivery over 2011 (48 buses) / 2012 (40 buses) in the amount of \$30,267,138.94 including applicable taxes;
- 2/ A contingency allowance in the amount of \$1,600,000.00, including applicable taxes, to accommodate Ford chassis price adjustments for the 2012 option order of 40 buses only, and for the estimated cost to foreign exchange adjustments, which will be paid out if required, as incurred; and
- 3/ Forward this report to the Ontario Minister of Transportation for information, noting that an exemption exists under the Canadian Content Policy for specialized transit buses.

FUNDING

Sufficient funding in the amount of \$76.2 million for the purchase of 198 low-floor buses is included in Project 4.11, W.O. #6556, "Purchase of Future Wheel-Trans Buses", as set out on pages 969 to 972, Budget Category - State of Good Repair/Safety of the TTC's 2010-2014 Capital Program, as approved by City of Toronto Council December 8, 2009. In addition to the base order of 110 buses, ABP have offered pricing for optional purchases of up to an additional 88 buses for delivery in 2011 through to 2014. It is recommended that the optional bus purchases in the out years be brought forward allowing for delivery of 48 buses in 2011 and 40 buses in 2012. Based upon this adjusted delivery schedule, the fleet plan and cash flow have been adjusted and are attached. Further, full cost approval for this project exists as granted by City Council however, the advanced deliveries result in increased cash flow requirements for 2011-2012 which will be addressed through the 2011-2019 Capital Program budget process.

BACKGROUND

At its meeting on October 23, 2008, the Commission awarded Contract C34PX08787 to ABP for the procurement of 110 low-floor paratransit buses for delivery in 2009 and 2010.

As previously noted, the contract also contains an option for the purchase of up to an additional 88 buses for delivery in 2011 through to 2014. The option pricing offered for these four out years contains an annual general increase of approximately 3% per annum. The yearly price escalation, including compounding, is subject to the quantity of additional buses scheduled for delivery over each of these four out years.

Based on the performance and successful integration of the new Friendly Bus into the Wheel-Trans fleet, it is recommended that the option buses offered within the current contract with ABP be exercised. Further, there are significant reliability issues with the remaining 91 ELF buses, which are not being rebuilt, and are negatively impacting service. These older ELFs have been breaking down, increasing lost service hours by approximately 20% which in turn reduce miles per defect to 30% below target. Therefore, an accelerated delivery schedule to purchase the 88 additional Friendly buses over 2011-2012 is recommended, thereby completing the full option order over two years rather than four years. The accelerated delivery schedule which the contractor has agreed to will result in Wheel-Trans achieving a reliable bus fleet sooner in order to meet their growing service commitments.

DISCUSSION

TTC Staff have completed negotiations with ABP resulting in the finalization of an accelerated delivery schedule for the provision of 48 buses in 2011 and 40 buses in 2012. In addition, the acceptance of an accelerated delivery of the 88 option buses over 2011-2012 will result in cost savings to the Commission of \$680,000 as a result of the avoidance of per annum price escalation and compounding included in the option pricing for 2012 and 2013.

Identical to the terms of the contract base order, the option order terms state that approximately 60% of the offered total unit price per bus is subject to a foreign exchange adjustment based on an exchange rate of \$1.00 CDN = \$0.9708 US. Therefore, a foreign exchange contingency allowance in the amount of \$1,300,000.00 is included as part of this procurement recommendation.

As noted in the October 28, 2008 Commission Report, "Procurement of Low-Floor Paratransit Buses", ABP stated a qualification in its original proposal that the offered option pricing for the additional buses delivered in 2011 through to 2014 was based on then 2009 current Ford Chassis model pricing and therefore ABP could not guarantee the chassis price beyond the 2009/2010 model year. Therefore, to accommodate the possible award of option year orders, contract terms state that the identified cost of the chassis,

representing approximately 14% of the total bus unit price, is subject to annual adjustment based on actual Ford chassis price increases made available from Ford on a yearly basis.

Recently, Ford has announced chassis pricing for 2011, the net increase of which has been included in the base price of the 2011 option order buses. However, to accommodate any chassis price adjustments required for the 2012 option order of 40 buses, a contingency allowance of \$300,000 is included in this procurement recommendation.

In order to maintain continuity with the base order bus configuration, the recommended procurement for additional buses also includes costs for additional design review items and AVL system hardware which were incorporated into the base 2009/2010 bus order through previous contract amendments.

JUSTIFICATION

The 91 non-rebuilt ELF buses are unreliable, past their lifecycle, and must be retired as soon as possible. To continue and maintain them is extremely difficult due to the inconsistent parts supply and lack of OEM support. It is essential that buses in service are as reliable as can be and the acceptance of the additional buses with an accelerated delivery schedule, will result in Wheel-Trans achieving a reliable bus fleet sooner in order to meet their service commitments and will further result in a project cost savings to the Commission of \$680,000 over the term of the bus procurement contract, as year over year vehicle costing increases as laid out in the current contract option will not be incurred.

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TABLE 1 (A) – Fleet Plan 2010-2014 Approved Budget

	2009	2010	2011	2012	2013	2014
Fleet @ Beginning of Year	147	188	198	198	198	198
# ELF buses Retired	0	(59)	(26)	(22)	(20)	(20)
Procurements	41	69	26	22	20	20
Fleet Available @ End of Year	188	198	198	198	198	198

TABLE 1 (B) – Cash Flow 2010-2014 Approved Budget

\$ Millions

	To 2009	2010	2011	2012	2013	2014
2010-2014 Approved Budget	15.3	24.3	10.8	8.5	8.6	8.7

TABLE 2 (A) – Fleet Plan 2010-2014 Accelerating Procurements

	2009	2010	2011	2012	2013	2014
Fleet @ Beginning of Year	147	178	198	198	198	198
# ELF buses Retired	0	(59)	(48)	(40)	0	0
Procurements	31	79	48	40	0	0
Fleet Available @ End of Year	178	198	198	198	198	198

TABLE 2 (B) – Cash Flow Revised

\$ Millions

	To 2009	2010	2011	2012	2013	2014
2010-2014 Revised	6.0	29.7	21.5	19.0	0.0	0.0

TABLE 3 (A) – Cash Flow Variance

\$ Millions

	To 2009	2010	2011	2012	2013	2014
Table 2(B)/Table 1(B)	(9.3)	5.4	10.7	10.5	(8.6)	(8.7)