

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: FEBRUARY 17, 2010

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF DETROIT
DIESEL 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 Detroit Diesel and Allison bus parts for the period April 2010 to April 2013 to Harper Power Products Incorporated in the upset limit amount of \$14,600,000 including applicable taxes.

FUNDING

Sufficient funds to cover these items have been included in the 2010 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 Detroit Diesel engine and Allison transmission parts that are used to maintain the Commission's bus fleet.

DISCUSSION

Harper Power Products Incorporated was invited to submit a proposal on October 29, 2009 on the basis of single source as they are the manufacturer and only source of supply for the subject parts.

The proposal called for 966 pre-approved part types of which 964 are being recommended for award. The two part types not being recommended for award are comprised of 1 part type that can now be tendered competitively and will be re-categorized accordingly. The other part type has been discontinued. Staff will investigate the latter for another approved product and it may be the subject of a future request for proposal.

Harper Power Products Incorporated's initial total proposed value was \$12,401,392.12. The initial pricing for the new three-year inventory supply contract was 5% higher in the first year of the contract based on current pricing. The pricing would be 4% higher in year two based on year one pricing and 4% higher in year three based on year two pricing.

Staff contacted Harper Power Products Incorporated to negotiate price reductions and were successful in attaining lower pricing. As a result, the pricing for the new three-year inventory supply contract will be approximately 1% higher in the first year of the contract based on current pricing. The pricing will be 3% higher in year two based on year one pricing and 3% higher in year three based on year two pricing.

Price increases are attributed to increased costs in labour, materials, energy and transportation. This negotiation resulted in a revised proposed value of \$12,140,135.36 or a cost avoidance of approximately \$261,300.

Harper Power Products Incorporated's offer included a qualification on 5 part types noting revised part numbers, with no change in fit, form or function. As these are merely administrative changes, staff deems them as acceptable.

This 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 Detroit Diesel and Allison parts are required in order to support the Commission's bus engine and transmission maintenance needs

January 21, 2010
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