

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: September 27, 2012

SUBJECT: PROCUREMENT AUTHORIZATION – BUS SERVICING AND
CLEANING

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION:

Labour relations or employee negotiations.

RECOMMENDATION

It is recommended that the Commission authorize:

1. The award of a contract to Hallcon Corporation (Hallcon) in the upset limit amount of \$4,000,000 (inclusive of all applicable taxes), for the supply of Bus Servicing and Cleaning operations at a Commission bus garage for 27 months (which includes an estimated period of 3 months start-up period); and
2. The award of a contract to Topnotch Building Maintenance Ltd. (Topnotch) in the upset limit amount of \$3,250,000 (inclusive of all applicable taxes), for the supply of Bus Servicing and Cleaning operations at a Commission bus garage for 27 months (which includes an estimated 3 month start-up period); and
3. An allowance amount for contract amendment of \$15,900,000 (inclusive of all applicable taxes) for Bus Servicing and Cleaning at the remaining six bus garages bringing the total authorized expenditure amount up to \$23,150,000 (inclusive of all applicable taxes), including Recommendations 1 and 2 above; and
4. Delegate its authority for approval of Contract Amendments in accordance with the Authorization for Expenditure and Other Commitments Policy to the Chief Executive Officer for the expenditure of the allowance (Recommendation 3 above) for Bus Servicing and Cleaning to either Hallcon and/or Topnotch for the remaining six bus garages; subject to satisfactory performance against the agreed contract; and
5. Delegate its authority to the Chief Operating Officer to select Hallcon or Topnotch, for the award of the initial two bus garage locations (Hallcon for one garage and Topnotch for the other) as set out in recommendations 1 and 2 above.
6. The release of the information in the Confidential Attachment following completion of the activities which form the subject of the report.

FUNDING

Sufficient funds to cover the cost of the two contracts are included in the 2013 TTC Operating Budget. The savings associated with implementing these two contracts will be recognized in future Operating Budgets submissions.

BACKGROUND

As part of the 2012 TTC Operating Budget process, the City requested that TTC staff look for efficiencies within its operation to realize savings. Further, the City of Toronto Service Efficiency Study on the Toronto Transit Commission dated November 15, 2011 prepared by Accenture, recommended that the TTC implement identified savings through contracting out services, including the bus service lines.

The Commission currently operates seven transit bus garages with a fleet of approximately 1,800 buses and one para-transit garage with a fleet of approximately 200 buses. Each day, buses that are used for service require servicing (fuelling, fluids topped up, defect identification, etc.) and cleaning (exterior and interior). Subsequent garages will follow as workforce attrition permits. The Bid Documents allows for the addition of subsequent bus garages to the Contracts and for extensions of three additional one year terms with certain advance notice provided to the Contractors at the sole discretion of the Commission.

DISCUSSION

In December 2011, a Request for Bids was posted on the Commission's website as well as the MERX website. Six companies requested copies of the Bid Documents out of which two submitted bids as summarized in appendix A.

Topnotch submitted the lowest priced bid and did not state any exceptions or qualifications. Staff conducted reference checks and positive references were provided. The Agreement to Bond submitted by Topnotch covers a Performance Bond and was submitted by Guarantee Company of North America, who have been verified as a Surety Company licensed to transact business under the Insurance Act of Ontario. As such they are considered financially capable of performing the work. Their Bid is considered acceptable.

Hallcon submitted the second lowest priced bid and also did not state any exceptions or qualifications. Staff conducted reference checks and positive references were provided. The Agreement to Bond submitted by Hallcon covers a Performance Bond and was submitted by Fenchurch General Insurance Company, who has been verified as a Surety Company licensed to transact business under the Insurance Act of Ontario. Their Bid is considered acceptable.

Due to the criticality of the bus servicing and cleaning operation, staff is recommending the award of work to the two compliant bidders in order to minimize the risk on service delivery. Topnotch and Hallcon will be required to execute a Performance Bond in the amount of 50% of the contract value.

A pricing analysis was completed by staff and identified net savings of \$4.29M per year on average, once all garage facilities have been fully implemented, when compared to the cost of performing the work in-house. The average savings for each of the two initial garages is

estimated to be in the order of \$500K, for the first year.

In addition to the financial benefits, the current process of servicing and cleaning the buses using in-house workforce has not met the expectations of our customers regarding bus cleanliness. In March 2011, the TTC awarded a contract to Superior Solutions to audit the cleanliness of the bus fleet. The latest audit results from the 2nd Quarter 2012 indicated a fleet average cleanliness prior to the buses going in to service below acceptable standards. In order to raise the level of cleanliness in the bus fleet, it is expected that additional in-house workforce would have to be added which would further justify the recommendation in this report that these services be contracted to the outsourced suppliers. The Request for Bid contained detailed clauses in it related to quality of work (e.g. what is a clean bus and what is a properly serviced bus). These new standards are an increase from the current level and are enforceable through liquidated damages.

There are provisions in the Collective Agreement stating the TTC shall ensure employees will not be laid off or terminated as a direct result of contracting out work. Therefore, the TTC is not in the position to award more than two garage locations at this time. However, the Bid Documents allow the Commission to add additional garage locations with 90-days advance notice, at the tendered price, upon notice to the Contractors. Contract Amendments will be issued as required when additional bus servicing and cleaning workforce can be absorbed into the general TTC workforce.

There are certain provisions within the Collective Agreement that staff must follow when work normally performed by the Amalgamated Transit Union, Local 113 (Union) is being considered for contracting out. Staff has followed the process, which includes affording the Union the opportunity to submit written reasonable suggested alternatives to contracting out the work. The proposals the Union submitted in writing to the TTC did not provide any reasonable suggested alternatives that would achieve the savings and quality possible through contracting out the work.

JUSTIFICATION

Award of the above contracts will allow the Commission to improve bus cleanliness and achieve average annual savings of \$4.29 million when fully implemented, thereby reducing its current costs for this function by 29%.

September 20, 2012

Attachments: Appendix A
 Confidential Attachment

APPENDIX A
PROCUREMENT AUTHORIZATION
Bus Servicing and Cleaning
Bid No. P32PZ11836
LIST OF PROPONENTS
(Alphabetically)

- Hallcon Corporation*
- Topnotch Building Maintenance Ltd *

* Recommended Company