

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: MARCH 27, 2013

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF DETROIT
DIESEL BUS PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Board authorize the award of a three-year inventory supply contract for the supply of Detroit Diesel and Allison bus parts for the period April 2013 to April 2016 to Wajax Power Systems in the upset limit amount of \$24,900,000 including applicable taxes.

FUNDING

Sufficient funds are included in the 2013 TTC Operating Budget and will be included in future Operating Budgets as appropriate. 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 TTC's bus fleet.

DISCUSSION

Wajax Power Systems (Wajax) was invited to submit a proposal on January 2, 2013 on the basis of single source as they are the sole distributor for Detroit Diesel and Allison Transmission parts in Ontario.

The proposal called for 567 pre-approved part types of which 567 are being recommended for award. Wajax's initial total proposed value was \$22,205,560.70. The initial pricing for the new three-year inventory supply contract was 1.69% higher in the first year of the contract based on current pricing. The pricing would be 5% higher in year two based on year one pricing and 5% higher in year three based on year two pricing.

TTC staff contacted Wajax 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 3.27% lower in the first year of the contract based on current pricing. The pricing will be 3.06% higher in year two based on year one pricing and 3.06% 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 \$20,690,333.91 or a cost avoidance of approximately \$1,515,226.79.

Wajax's offer included a qualification on 14 part types noting revised part numbers, with no change in fit, form or function. As these are merely administrative changes, TTC staff deems them as acceptable.

This contract 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 Transmission parts are required in order to support the TTC's bus engine and transmission maintenance needs.

March 4, 2013
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