

TORONTO TRANSIT COMMISSION

REPORT NO.

MEETING DATE: SEPTEMBER 25, 2013

SUBJECT: PROCUREMENT AUTHORIZATION – SUPPLY OF GENUINE
OEM CUMMINS PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Board authorize the award of three-year inventory supply contracts for the supply of genuine OEM Cummins parts for the period of approximately October 2013 to October 2016 in the upset limit amount (including applicable taxes) to the following companies:

- Ashcon International Inc. for \$1,749,000 CND (\$1,691,000 USD).
- Baker Transit Parts Inc. for \$1,090,000.
- New Flyer Industries Canada ULC for \$95,000.
- Elreg Distributors Ltd. for \$138,000.
- Cummins Eastern Canada LP for \$12,373,000.
- Mohawk Mfg. & Supply Co. for \$59,000.
- Mississauga Bus, Coach for \$138,000.

FUNDING

Sufficient funds are included in the 2013 TTC Operating Budget and will be included in future Operating Budgets as appropriate. These inventory parts will be charged to the appropriate budget at the time of issuance from Stores.

BACKGROUND

The subject parts are various genuine OEM Cummins engine parts that are used as maintenance stock to maintain the TTC's Orion 7 Hybrid and Clean Diesel bus fleets. We currently have approximately 691 Hybrid buses that will be entirely off warranty by the end of 2014 and approximately 300 Clean Diesel that will be totally off warranty in 2015. In addition, our current fleet of buses is expected to have a life expectancy of approximately nine years. Unfortunately we are experiencing significant premature failures after 6 – 7 years. As a result of this, inventory demands on parts to fulfill these maintenance needs will be significantly higher.

DISCUSSION

Tenders were invited from fifteen known companies coupled with an advertisement on the TTC internet website on June 12, 2013. Nine companies submitted tenders as summarized in Appendix 'A'.

The tender called for 492 pre-approved parts. The tenderers were also advised that alternatives would not be considered during the evaluation. A total of 488 parts are being recommended for award. The 4 parts that are not being recommended for award are comprised of 1 part where there was no pricing received as the item part number could not be identified and 3 parts where the part numbers and specifications were revised subsequent to the tender being issued. Staff will investigate other products that may fulfil the requirement and amend the specification accordingly for a subsequent tender. Out of the 488 parts being recommended for award, 50 parts are considered remanufactured (or reconditioned/exchange) parts. When purchasing a remanufactured item, a damaged or worn unit (a core) is required by the applicable vendor. The vendor will then supply a remanufactured unit by either repairing that particular core, or supplying an existing unit that has previously been repaired. In the case the TTC does not have a core to supply the vendor when purchasing a remanufactured part, an additional core charge will be applied.

Ashcon International Inc. submitted prices on 487 parts and has the lowest price on 10 parts. However, 14 parts quoted in their submission were based on an alternative rendering it unacceptable and were not considered further. Ashcon International Inc. quoted in U.S funds and was converted to Canadian Funds for evaluation purposes only. They are recommended to be awarded an upset limit contract for \$1,749,000 for 10 parts.

Baker Transit Parts Inc. submitted prices on 443 parts and has the lowest price on 59 parts. Further, they are being recommended for award for the 1 part that was deselected from Cummins Eastern Canada LP as discussed below. They are recommended to be awarded an upset limit contract for \$1,090,000 for 60 parts.

New Flyer Industries Canada ULC submitted prices on 301 parts and has the lowest price on 5 parts. However, 7 parts quoted in their submission were based on an alternative rendering it unacceptable and were not considered further. They are recommended to be awarded an upset limit contract for \$95,000 for 5 parts.

Elreg Distributors Ltd. submitted prices on 3 parts and has the lowest price on 1 part. They are recommended to be awarded an upset limit contract for \$138,000 for 1 part.

Cummins Eastern Canada LP submitted pricing on 490 parts and has the lowest price on 396 parts. However, 13 parts quoted in their submission were based on an alternative rendering it unacceptable and were not considered further. 1 part was deselected as staff determined that the pricing in the third year to be significantly lower when compared to first year and second year pricing. Staff considers this an obvious error and as a result this part

was not considered further in their evaluation. Staff contacted Cummins Eastern Canada LP and they confirmed the price submitted was an error. Staff recommend award of this part to the next lowest tenderer – Baker Transit Parts Inc. Therefore, they are recommended for the award of an upset limit contract for \$12,373,000 for 395 parts.

Mohawk Mfg. & Supply Co. submitted prices on 31 parts and has the lowest price on 1 part. However, 30 parts quoted in their submission were based on an alternative rendering it unacceptable and were not considered further. They are recommended to be awarded an upset limit contract for \$59,000 for 1 part.

Mississauga Bus, Coach submitted prices on 489 parts and has the lowest price on 16 parts. However, 1 part quoted in their submission was based on an alternative and 2 parts they did not select which manufacturer part number they were quoting on as required in the RFT. Therefore, their bid for these items was considered commercially non-compliant and was not considered further. They are recommended to be awarded an upset limit contract for \$138,000 for 16 parts.

Cancore Industries Inc. submitted pricing on 1 part but does not have the lowest price, therefore they are not being recommended for award.

DPF Cleaning Specialists Ltd. submitted pricing on 3 parts, however their tender was based on alternatives thereby rendering their submission as unacceptable and was not considered further.

Each 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.

The pricing for the new three-year contracts is approximately 4.18% lower for the first year of the contract. The pricing will be 3.79% higher in year two based on year one pricing and 3.90% higher in year three based on year two pricing.

JUSTIFICATION

These various genuine OEM Cummins parts are required in order to support the TTC's bus engine maintenance needs.

September 3, 2013
9-122-122
Attachment

Appendix A

SUPPLY OF GENUINE OEM CUMMINS PARTS

Supplier Name	Total Quoted Parts	Total Quoted Value (CND)*	Total Quoted Value (USD)	Total Recommended Parts	Recommended Upset Limit Amount (Includes 20% Contingency) CND*	Recommended Upset Limit Amount (Includes 20% Contingency) USD
*ASHCON INTERNATIONAL INC.	487	\$15,173,906.85	\$14,665,030.30	10	\$ 1,749,000.00	\$ 1,691,000.00
BAKER TRANSIT PARTS INC.	443	\$ 6,196,488.72		60	\$ 1,090,000.00	
NEW FLYER INDUSTRIES CANADA ULC	301	\$11,138,887.40		5	\$ 95,000.00	
ELREG DISTRIBUTORS LTD.	3	\$ 118,686.82		1	\$ 138,000.00	
CUMMINS EASTERN CANADA LP	490	\$13,239,587.20		395	\$ 12,373,000.00	
MOHAWK MFG. & SUPPLY CO.	31	\$ 268,972.15		1	\$ 59,000.00	
MISSISSAUGA BUS, COACH	489	\$14,665,030.30		16	\$ 138,000.00	
CANCORE INDUSTRIES INC.	1	\$ 366,120.00		0	\$ -	
DPF CLEANING SPECIALISTS LTD.	3	\$ 1,019,915.40		0	\$ -	
TOTAL				488	\$ 15,642,000.00	

*Ashcon International Inc. quoted in U.S funds and was converted to Canadian Funds for evaluation purposes only.