



STAFF REPORT ACTION REQUIRED

Procurement Authorization Amendment – Purchase 50 Forty Foot Low Floor Clean Diesel City Buses

Date:	February 25, 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

This report recommends the TTC Board, subject to City Council approval of the TTC's 2015-2024 Capital Budget, approve a procurement authorization amendment to procure 50 new forty-foot low-floor clean diesel city buses.

The TTC is currently in contract with Nova Bus (Nova), a Division of Volvo Group Canada Inc, for the supply of 55 buses and this amendment would allow TTC to exercise an option under that contract.

Recommendations

It is recommended that the Board:

- 1) authorize the amendment to contract C32PM13774 (Supplying of 55 Forty Foot Low Floor Clean Diesel City Buses) with Nova in the amount of \$30,010,975.00 as follows:
 - a. \$29,670,975.00 inclusive of all applicable taxes for the purchase of 50 additional buses for delivery in 2015 and early 2016.
 - b. \$340,000.00 inclusive of all applicable taxes as an upset limit change allowance for potential contract amendments, options, alternatives, special tools and maintenance parts pertaining to the buses. This upset limit amount will be combined with the previously approved upset limit of \$660,000.00 for a total upset limit amount of \$1,000,000.00 for the entire contract.
 - c. Revise the current contract delivery schedule to allow for the delivery of the additional 50 buses by January 29, 2016 and accelerate the deliveries of the

previously ordered 55 buses as detailed in Appendix A. Deliveries will be subject to the assessment of liquidated damages by TTC.

Financial Impact

The TTC's 2015-2024 Capital Budget includes sufficient funds for exercising the option to the Nova contract for 50 buses; as such, there is no financial impact beyond what has already been approved by the TTC Board. As a result, the finalization of costs for the recommended amounts is sufficient for this purchase.

The award of this amendment is subject to City Council approval of the TTC's 2015-2024 Capital Budget at its meeting of March 10/11, 2015.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Decision History

In August, 2014, the TTC Board approved a report laying out a variety of ways to improve transit provision in both short and medium term. The report critically made the point that whilst off-peak services could be improved (pending budget approval) in 2015 that peak services could not be improved without the purchase of more buses. Furthermore, it was recognized that additional buses could not be purchased without further bus storage and maintenance facilities. This broadly meant that, under these circumstances, peak service could not be improved until 2018/ 2019.

Following that approval, the TTC began to look for temporary storage and maintenance facilities, and to work with the only two bus manufacturers Nova and New Flyer Bus Industries Canada (New Flyer) which meet the TTC's Canadian Content requirements. The intent was to better understand how, and how many, buses could be purchased and manufactured in 2015. These additional purchases and facility would allow some improvements to be made to peak services before the end of 2015.

On February 2, 2015, the TTC Board approved the operating and capital budgets allowing the purchase of 50 additional buses (allowing for peak service improvements) and the lease of a temporary facility.

Given that there is no available funding in the current budget to purchase these additional buses, TTC staff was requested to explore other financial alternatives to address this requirement. One of the alternatives considered by staff was to lease buses from bus manufacturers for a 5 year period with an option to purchase them at the end of the lease term.

Alternatively, subject to confirmation that the delivery requirements could be met, TTC staff requested a proposal from Nova, with which TTC currently has a contract for the supply of 55 buses scheduled to be delivered in 2015.

Issue Background

A competitive bid process took place in 2013 for the supply of 55 buses for which proposals were received from Nova and New Flyer, allowing the TTC to use their proposals as a basis for negotiation for this accelerated requirement. As a result of this competitive bid process, a contract was awarded to Nova on April 30, 2014 for the 55 buses which also included optional pricing for additional buses at TTC's sole discretion. http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2014/April_30/Reports/40ft_Low_Floor_Clean_Diesel_Buses.pdf

Accessibility/Equity Matters

All buses to be procured are fully accessible and compliant with all Federal and Provincial regulations.

Comments

As a result of the current capital financial restrictions, TTC initially was exploring an opportunity to lease to own buses as opposed to the traditional capital purchase.

Lease to Own Proposal – New Flyer

A proposal was submitted by New Flyer on November 28, 2014. The submission was based on the terms and conditions and technical specifications included as part of the RFP issued in 2013 for the supply of buses. With their proposal, New Flyer included a summary of both commercial and technical deviations which they indicated would be required to be accepted by the TTC.

The proposal submission deviation package was reviewed by staff in detail to identify any deviations that prevented TTC staff from recommending the proposed buses for consideration.

New Flyer's deviation package included critical commercial deviations such as the requirement by TTC to accept reduced warranty periods, revision of the bus fleet trigger point for latent defects, acceptance of testing completed for other transit agencies in lieu of TTC testing requirements and waiving the requirement to submit cross vendor parts reference list which is a key submittal used by TTC for the provision of parts.

Based on the time constraints to meet the primary objective of obtaining as many buses as possible in 2015, TTC was unable to adequately explore the impact of accepting these changes or the associated cost implications. However, staff is committed to meet with New Flyer for future requirements to discuss these technical and commercial issues in an attempt to stimulate additional competition.

The base cost proposed by New Flyer (\$31,513,440.00) is higher than the base cost proposed by Nova (\$29,670,975.00) for the purchase of 50 buses. The bus design offered under the New Flyer includes numerous technical deviations whereas the Nova offer is compliant to TTC bus specifications.

Acceptance of New Flyer's proposal would also result in acceptance of deviations of both a technical and commercial nature which would in turn require additional time to finalize an agreement between New Flyer, TTC and the financial institution. Based on the above, New Flyer's proposal was not pursued any further.

Proposal to Amend Current Bus Supply Contract - Nova

On January 26, 2014, Nova confirmed that they would be able to accommodate TTC's request to deliver an additional 50 buses over and above the current order of 55 buses subject to the following conditions:

- Waiving of accumulated liquidated damages by TTC in the amount of \$855,600 as a result of delays to the delivery of articulated buses in 2013 and 2014. The decision to waive the accumulated liquidated damages was based on a new bus design with inherent technical challenges that resulted in delays to the deliveries. Deliveries of all 153 articulated buses were complete as of January 31, 2015.
- Acceleration of the delivery schedule for the base order of 55 buses subject to a reduced testing period of the pilot bus to one month from up to three months as detailed in Appendix A.
- Commitment by TTC and Nova to work together to ensure that the delivery requirements are met by ensuring that buses can be inspected prior to delivery at Nova's facility and that TTC inspection staff will be readily available for these inspections. In addition, liquidated damages will apply to any slippage to schedule deliveries.

Nova also confirmed that they would be able to supply the additional 50 buses at the currently agreed contract price for 2015 buses. An allowance was approved at the time the Contract for the base order was awarded, therefore costs associated with training, manuals and capital spares would be covered under the base order. The design review process is currently in the process of being finalized, consequently there is a potential for changes to the buses which would be covered under the change allowance recommended to be approved as part of this contract amendment.

Based on the above, Nova's proposal would not require TTC to accept significant technical and commercial deviations.

Contact

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Attachments

Appendix A: Delivery Schedule

APPENDIX A – DELIVERY SCHEDULE

Bus	Quantity	Delivery by
Pilot Bus	1	February 27, 2015
Base Order		
1 - 4	4	June 5, 2015
5-8	4	June 11, 2015
9-14	6	June 19, 2015
15-20	6	June 26, 2015
23-27	7	July 10, 2015
28-34	7	July 17, 2015
35-39	5	August 14, 2015
40-44	5	August 21, 2015
45-49	5	September 30, 2015
50-54	5	October 9, 2015
Additional 50 Buses		
55-57	3	November 16, 2015
58-64	7	November 24, 2015
65-71	7	December 2, 2015
72-78	7	December 9, 2015
79-80	2	January 8, 2016
81-86	6	January 15, 2016
87-94	8	January 22, 2016
93-104	10	January 29, 2016