



STAFF REPORT ACTION REQUIRED

Procurement Authorization – Supply of Genuine Cummins Parts

Date:	July 29 th , 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to obtain authorization for the award of contracts for a fourteen month term for Cummins' Original Equipment Manufacturer (OEM) parts that are required to support the TTC's bus engine maintenance needs.

TTC has an ongoing requirement for various genuine OEM Cummins diesel engine parts (injectors, compressors, pumps, gaskets, etc.) that are used as maintenance stock to maintain the TTC's Orion 7 Hybrid and Clean Diesel bus fleets. These parts are manufactured by Cummins in the USA and are available through various dealers/distributors.

Recommendations

It is recommended that the Board authorize the award of inventory contracts for the supply of genuine OEM Cummins engine parts for the period of approximately August 2015 to September 30, 2016 in the following upset limit amounts (including applicable taxes) to the following companies:

- 1) A new contract to Cummins Eastern Canada LP for the supply of 403 parts in the total upset limit amount of \$4,189,000,
- 2) A new contract to City View Bus Sales and Service for the supply of 10 parts in the total upset limit amount of \$390,000, and
- 3) An amendment to the existing contract with Ashcon International Inc. to add 32 parts and increase the total upset limit amount from \$1,749,000 to \$8,304,000 CAD (\$1,691,000 to \$6,732,000 USD).

Financial Summary

Sufficient funds are included in the 2015 TTC Operating Budget as approved by City Council on March 10/11, 2015 and funds will be included in the 2016 Operating Budget as required. The total upset limit amount for these contracts is \$12,883,000 CAD. The inventory parts will be charged to the appropriate department budget at the time of issuance from Stores.

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

Issue Background

In September 2013, the Board approved seven contracts for the supply of genuine OEM Cummins diesel engine parts for a three year period as per report linked below, and these contracts are scheduled to expire September 30, 2016.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2013/September 25/Reports/Procurement Authorization Supply of Genuine OEM Cummins Part.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2013/September%2025/Reports/Procurement%20Authorization%20Supply%20of%20Genuine%20OEM%20Cummins%20Part.pdf)

In August 2014, contract amendments were approved by staff to add items to the following contracts, which were not previously identified or available to include in the original requirement:

- 69 items and \$1,143,000 to Cummins Eastern Canada LP.
- 2 items to Ashcon International Inc. (no additional funds required).
- 4 items to Baker Transit Parts (no additional funds required).

In addition to the contract amendments, a new contract was issued to Wajax Power Systems for one item in the total upset limit amount of \$2,600.

In May 2015, during review of the current contract with Cummins Eastern Canada LP, staff estimated the remaining funds were insufficient to reach the contract expiry of September 30, 2016. Staff examined why the consumption on this particular contract has been higher than was originally forecasted in May 2013 and determined that there were bus rebuild projects for the Orion 7 Clean Diesel and Hybrid bus fleets' engine replacements which were not originally identified.

As a result a contract amendment to add \$1,920,000 and to bring forward the expiry date from September 30, 2016 to August 7, 2015 was approved in order to allow time for staff to reassess the parts in the contract and subsequently competitively re-bid the 455 items.

Accessibility/Equity Matters

This recommendation has no accessibility or equality issues.

Comments

A Request for Bids (RFB) was issued on May 7, 2015 for the supply of genuine OEM Cummins parts as summarized in the attached Appendix A. The RFB requested pricing for 455 parts for a 14 month term in order to keep the expiry date of the recommended contracts consistent with the current contracts for genuine OEM Cummins parts.

Thirty-seven of the items being recommended for award are considered remanufactured (or reconditioned / exchange) parts. When purchasing a remanufactured item, a damaged or worn unit (a core) is required by the applicable company. The company will then supply a remanufactured unit by either repairing that particular core, or supplying an existing unit that has previously been repaired. Where TTC does not have a core to supply the company when purchasing a remanufactured part, an additional core charge will be applied. The RFB contained a Price Schedule 2 - Core Price Schedule, for bidders to quote core prices for the applicable items.

Unless otherwise stated below, the bidders did not state any exceptions or qualifications to TTC's terms and conditions and are considered commercially compliant.

Ashcon International Inc. (Ashcon) submitted prices on 452 items and was the lowest bidder for 32 items and the apparent low bid for two items, however these two items are based on alternatives and as the RFB did not permit alternatives these items were deselected from the evaluation and not considered further. Ashcon quoted in US funds, which was converted to Canadian funds using the exchange rate of 1.2334 for evaluation purposes only. Ashcon is recommended for award of 32 items.

City View Bus Sales & Service Ltd. submitted prices on 453 items and was the lowest bidder for 10 items and is recommended for award of 10 items.

Cummins Eastern Canada LP (Cummins) submitted prices on 455 items and was the lowest bidder for 403 items. In Price Schedule 2 - Core Price Schedule, Cummins did not provide year 2 pricing for 41 items, and therefore was considered non-compliant and was not considered further for these items. Cummins is recommended for award of 403 items.

Wajax Power Systems (Wajax) submitted prices on 447 items and was the apparent lowest bidder for 5 items. However, Wajax did not submit page 2 of the Bid Form and as the RFB did not permit this; its bid was non-compliant and was not considered further.

Elreg Distributors Ltd. submitted prices on 2 items. However, the 2 items quoted were based on alternatives and as the RFB did not permit this; its bid was considered non-compliant and was not considered further.

A price comparison revealed an overall increase of approximately 18.3% during the first year of the contract compared to the last buy prices and an overall increase of approximately 3.99% during the second year of the contract compared to first year prices. Staff investigated the reason for the increase and determined it was mainly attributed to the Canadian / U.S. dollar exchange rate, as these parts are manufactured in the U.S.A. Since September 2013, there has been an approximate 20.3% change in the exchange rate.

Out of 455 items requested to be quoted, 1 item was not quoted by any bidder, 3 items are not recommended as core charges were not quoted, and 6 items were only quoted as alternatives. As a result, 445 items are recommended for award. The remaining 10 items will be re-bid in the future.

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Attachment – Appendix A

APPENDIX A

SUPPLY OF GENUINE OEM CUMMINS PARTS FOR UP TO A 14 MONTH TERM

Supplier Name	Total Quoted Parts	Total Quoted Value (CAD)*	Total Quoted Value (USD)	Total Recommended Parts	Total Recommended Upset Limit/Amendment Amount (Includes Contingencies) CAD*	Total Recommended Value (Includes Contingencies) USD
ASHCON INTERNATIONAL, INC.	452	\$ 10,818,581.51	\$ 8,771,348.72	32	\$ 6,216,740.39	\$ 5,040,327.87
CUMMINS EASTERN CANADA LP	455	\$ 7,993,441.52		403	\$ 4,189,000.00	
CITY VIEW BUS SALES & SERVICES LTD	453	\$ 9,471,992.16		10	\$ 390,000.00	
WAJAX POWER SYSTEMS	447	\$ 8,835,494.76		0	\$ -	
ELREG DISTRIBUTORS LTD.	2	\$ 2,356.05		0	\$ -	
TOTAL				445	\$ 10,795,740.39	

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